

CHARLES UNIVERSITY IN PRAGUE

Faculty of Humanities

Bachelor Thesis

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**TOWARD BETTER TIMES: TRANSITION TO
DEMOCRACY IN THE CZECH REPUBLIC**

Supervisor: Mgr. Jiří Koubek

Prague, 2016

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DECLARATION

I declare that I have written this Bachelor Diploma Paper myself and on my own. I have duly referenced and quoted all the material and sources that I used in it. This Paper has not yet been submitted to obtain any degree.

In Prague on 6.5.2016.

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Abstract

This thesis is an interdisciplinary analysis of the process of democratic transition in the Czech Republic in the time period from 1989 until 2004. The main objective of this research is to provide the reader with a more holistic approach to the process of democratization and to determine whether democracy in the Czech Republic can be considered as the “only game in the town.” The thesis starts with the different theoretical explanations of what democracy actually is. What follows later is an explanation of Huntington’s 3rd wave of democracy and brief history of the Czech Republic. The main part of this thesis is an analysis of the Czech democratization process based on Linz & Stepan’s five arenas of the consolidated democracy. Civil society, political society, a rule of law, state bureaucracy and economic society are five arenas of consolidated democracy that will be analyzed separately in this thesis.

Key words: the 3rd wave of democratization, Czech Republic, civil society, political society, rule of law, state bureaucracy, economic society

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Toward better times: Transition to democracy in the Czech Republic

1. Introduction

1989 was a revolutionary year that changed the course of history. It is a year when the Soviet Union neared to its end and communist ideology faded and started falling into oblivion. Furthermore, it is a year when the East and West finally destroyed the walls which were separating them for decades. The peaceful revolutions in Prague, Budapest, Warsaw and Berlin gloriously opened their gates for the arrival of the long-awaited changes inherent in democracy. A whole new era was knocking on the doors of the European continent.

The demise of the Soviet Union, the ascending power of the United States and the rise of Fukuyama's theory that liberal democracy is the best possible form of government, made a perfect environment for massive democratization in Central and Eastern European (CEE) countries. At the beginning of the 1990s, democracy and capitalism were praised and glorified while it was preached that communism simply lost because it was a worse system than capitalism (Fukuyama, 2006). Almost three decades later, the situation has changed and the efficiency of liberal democracy is questioned. For instance, Slavoj Žižek (2011), a prominent, neo-Marxist argued that the "The eternal marriage between capitalism and democracy is over." However, this "marriage" as Fukuyama claims was of historical necessity and was the only viable alternative for the new sick man of Europe at the beginning of the 90s. Therefore, we should not underestimate the value of democracy itself, but we should rather investigate how the democratization process was conducted in each country. But first we may ask ourselves what democracy actually is. Is it as Tocqueville (2010) states "tyranny of majority" (p.410) or will of the majority of people? The answer to this question is complex and there are various theories that try to explain the notion of democracy. The still controversial debate about what actually constitutes democracy will follow in Chapter 2.

Central and Eastern Europe countries used to live in non-democratic, post-totalitarian systems for almost half of the century. During all these years, Central and Eastern European countries were patronized and occupied by the Soviet Union. The East and West used to be two parallel worlds and realities, separated by the Iron Curtain. The fall of Iron Curtain in 1989 brought a huge geopolitical change which opened new paths towards democracy in a whole region. One of the countries which was on the crossroad in 1989 and followed the democratic path was the Czech Republic (at that time still Czechoslovakia).

The Czech Republic underwent a process of democratic transition and structurally has changed a lot. However, installation of a democratic regime is not exclusively a matter of removal of the previous oppressive regime, but it also depends on the efficacy of democratic reforms which will follow after. Consequently, we can deal with an enormous gap between quasi or incomplete democracies and consolidated democracies. Mere elections are not enough to call one country consolidated democratic, but there is a vast amount of other factors which make one country a consolidated democracy. Therefore, the question which is being posed now is to which extent transition to democracy was successful in the Czech Republic? What are the reasons which make us attach the label of consolidated democracy to the Czech Republic? Why do political scientists use the case of the Czech Republic as an example of successful democratization process? As indicators of the democratic consolidation, this thesis will investigate five arenas of democratic consolidation established by Linz & Stephan in their book *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe*.

The main objective of this thesis is to provide a reader with more holistic and comprehensive view on all factors of democratizations in the Czech Republic. The working hypothesis of this paper is that democracy in the Czech Republic “is only game in the town” (Linz & Stepan, 1996, p.5). This thesis will try to support this working hypothesis with both theoretical explanations and empirical data.

The research will focus on democratization measures which occurred in the time span from 1989 till 2004. We can divide the period of democratization into two phases.

The period from 1989 till 1993 can be considered as the first phase of the democratic development in back then still existing Czechoslovakia. The second phase began with the creation of the independent Czech Republic and lasted until 2004. 2004 is of tremendous importance for the Czech Republic. It is a year when the Czech Republic entered the European Union together with nine other, mostly post-communist countries. EU membership could be seen as a triumph of more than a decade long struggle for democratic consolidation. However, some negative aspects of a communist heritage remained deeply rooted in the Czech society so we may anticipate there is a still place for democratic changes and improvements in every sphere. Undoubtedly, Czechs' battle with democracy cannot be solely ascribed to communist legacy, but there is a vast amount of other actors and factors that were involved. Due to the thesis's limitedness in pages and vast complexity of the topic, this paper will deal with democratic changes until 2004. In addition, the majority of democratic reforms had actually occurred before 2004 since they were the precondition for the accession.

The limitation of this thesis, is the fact that it cannot capture process of democratic transition in the Czech Republic as a whole. What we will observe in this analysis are the reforms which occurred in a limited time span. Thus, this research won't be able to explain democratic changes which occurred outside the time, more precisely after 2004. Another limitation to the thesis might be the lack of more cross-country comparisons of the Czech Republic with other CEE countries in transition.

The structure of this paper is following. Chapter 2 will firstly provide a reader with the theoretical ground of democracy. Secondly, Chapter 2 will focus on the explanation of Huntington's 3rd wave of democratization and unique political atmosphere during the period of the Cold War. This will give a reader a universal picture of one whole epoch and help him better understand democratization in the Czech Republic. Thirdly, after the setting of both the theoretical and historical background, the emphasis will be shifted to the brief history of the Czech Republic, as well as on the nature of the Czech democratization process. The core of Chapter 3 will be an analysis of the main actors of a consolidated democracy. As previously mentioned, empirical, in-depth analysis will be based on the Linz's five areas of a consolidated democracy which are following: civil society, political society, rule of law, state bureaucracy and economic society. With both qualitative and

quantitative analysis of these five arenas, our optimistic, working hypothesis will be either confirmed or rejected. Finally, in Chapter 4 of the thesis, the outcome of the previous detailed and comprehensive analysis will be assessed and summarized.

2. Nation of Velvet vs. Democracy

The Velvet Revolution and the Velvet Divorce are historical events that added the epithet “velvet” to Czechoslovak society. The reason for ascribing the epithet “velvet” lays in a fact that both upheavals occurred peacefully, without violence and bloodshed. “Nation of Velvet” was “living a lie” until “the power or the powerless” won and overthrew a deeply rotten regime. Only then, “Nation of Velvet” started “living the truth” (Havel, 1985, p.40)

The main task of this thesis is to profoundly analyze democratic struggle in the Czech Republic. However, our analysis wouldn't be complete without giving a solid background on both democracy and historical facts. In order to understand democratic reforms, we need to analyze and re-evaluate reasons why communism stayed engraved in Czechoslovakia for almost half of the century. These reasons will later have implications on democratic transition and consolidation.

Consolidated democracy approach will be used in this thesis as something that supersedes mere democratization. Democratic consolidation can be considered as the product of successful struggle for democracy. The Czech Republic is surely a democratic country, but what this thesis is going to show is to which extent the Czech Republic is a consolidated democracy.

2.1 On democracy

Democratic consolidation is a different and more complex task than the mere transition to democracy. According to Huntington (1993), democratization includes: a) the end of authoritarian regime, b) the installation of a democratic regime and c) the consolidation of the democratic regime (p. 35). This indicates that the end of an authoritarian regime does not necessarily imply democratic consolidation. In majority of the cases after the establishing of a democratic regime, there are still many improvements and requirements that should be fulfilled. Therefore, preconditions for labeling one country a “consolidated democracy” are more demanding and exacting. But firstly it is crucial to explain the meaning of a word democracy. The concept of democracy is not a monolith, even on the

opposite it should be considered as “a developmental phenomenon” (Diamond, 1999, p. 18).

It is of great importance to understand a difference between direct and representative democracy. Direct democracy is a form of democratic governance where people, without mediators, are engaged in the decision-making process. Conversely, representative or indirect democracy is a form of democracy where people elect their representatives as defenders of their interests in the decision-making policies. For instance, Aristotle, in the time when only direct democracy had been practiced, noticed that democracy was not flawless. He described democracy as “deviant constitution” and highlighted the possible danger of democracy turning to despotism (Aristotle, 1999).

Debates and disagreements about which form of democratic governance is better: direct or representative, have always been present. On the one side, Jean Jacques Rousseau completely refuses the notion of representative democracy with explanation that every member of community invests himself and all his powers to “one supreme direction of the general will” while “creating an artificial and corporate body” in form of government (Rousseau, 1998, book I, ch.6). Rousseau (1998), as an advocate of the direct form of democracy, criticizes the idea of political representation as form which “degrades humanity and dishonours the name of man” (book III, ch.15). On the other side, many others have noticed flaws of direct democracy, as well as the extreme urgency to create a representative body which will support citizens’ interests indirectly. Madison in his essay *The Federalist No. 10* highlighted the danger of possible factions in the society which may lead to divisions and disputes over fundamental issues. In Madison’s view, direct democracy is a potential threat for citizen’s individual right, thus, he favors representative democracy as a main guardian of individual rights from the rule of majority (Madison, 2003, pp. 119-120). Furthermore, Dahl pointed out that “ ‘Madisonian’ theory of democracy is an effort to bring off a compromise between the power of majorities and the power of minorities, between the political equality of all adult citizens on the one side, and the desire to limit their sovereignty on the other” (Dahl, *Madisonian Democracy*, 2003, p. 207).

With the gradual shift to representative forms of democracy, the question of the elections became problematized. Electoral democracy is commonly described in terms of

holding free elections. Thus, it is possible to define electoral democracy or as Schumpeter (1996) calls it “democratic method” as a system where representatives are being elected by competitive institutionalized elections. Authors like Schumpeter and Przeworski are advocates of minimalist concept of democracy. However, it may appear that competitive, institutionalized elections are not sufficient in order to call one country democratic since there may be the problem with wrong political representation and noncompliance with electoral promises. Electoral democracy neglects many other aspects of democratic rule such as rule of law and civil rights so this can be labeled as a fallacy of electoralism (Schmitter & Karl, 1991, p. 6). Due to the vagueness in previous attempts to determine what comprises democracy we can continue with Robert Dahl who proposes a set of procedural criteria which constitute a new concept of democracy- *polyarchy*. *Polyarchies* provide a certain level of liberalization to citizens as well as fairness, inclusiveness and competitiveness of elections (Dahl, 1956). Dahl’s *polyarchy* is a slightly expanded version of minimalist approach to democracy. Besides free elections, *polyarchy* includes political and civil freedoms which are highly important for the organization of pre-electoral campaign and various political debates. However, *polyarchies* are seen as non-institutionalized or of poor institutionalization (O'Donnell, 1996). Stemming from this, O'Donnell (1994) introduces the category of delegative democracies characterized by very weak democratic institutions and a strong head of state. Delegative democracies are not consolidated and they are typical for Latin America’s presidential systems (p. 56).

Nowadays, the most embraced form of democracy is a liberal democracy which is promulgated by Fukuyama (2006) as “the final form of human government”(p. xi). Liberal democracy is being characterized by free, fair, institutionalized elections, protection of basic human and civil rights, rule of law, separation of powers etc. Besides Fukuyama’s and Huntington’s rather great affection toward liberal democracy, Fareed Zakaria (1997) developed the concept of illiberal democracies. Zakaria points out the importance of “marriage” between constitutional liberalism and democracy, which reflects in the liberal democracy. A constitutional liberalism is about attaining government’s goals and assuring individual rights which together constitute the Western form of liberal democracy. For Zakaria, democracy without constitutional liberalism is rather defective and dangerous since it may cause erosion of “bundle of freedoms” and cast some doubt on democratic

governance of liberal democracy as such (Zakaria, 1997, pp. 1-13). Despite free elections in illiberal democracies, citizens are often deprived of some civil or political rights. Illiberal democracies can fall into the category of what Larry Diamond denominates as “hybrid regimes” which are somewhere in between liberal democracies and authoritarian regimes (Diamond, *Thinking About Hybrid Regimes*, 2002).

Nevertheless, a perfect, utopian society does not exist so there is no perfect form of governance. Hence, the objective of this explanatory part about democracy was not to judge whether democracy is a good or bad form of governance, but rather to provide a reader with several perspectives of defining democracy. Putting aside all these miscellaneous definitions of what democracy is and what is not, we need to make a step toward the defining a consolidated democracy. The democratic consolidation approach is immensely significant for this thesis since we will try to assess democratization in the Czech Republic in accordance with democratic consolidation standards. Consolidated democracy can be conceived as a crown of the whole process of democratization. According to Linz & Stepan (1996), consolidated democracy can be interpreted from three, different standpoints. Behaviorally, democracy is consolidated when there are no serious political, national, economic or institutional factors which may jeopardize democratic regime or try secession from the state. Attitudinally, consolidated democracy requires that the majority has confidence in democratic procedures and institutions while sharing the common belief that any political modification should be in line with democratic processes and institutions. Constitutionally, a democratic regime becomes consolidated “when all the actors in the polity became habituated to the fact that political conflict will be resolved according to the established norms and that violation of these norms are likely to be both ineffective and costly.” (Linz & Stepan, 1996, pp. 5-6) Thus, consolidated democracy is more complex and stretches further from the realm of electoral democracy. Later on, democratic transition in the Czech Republic will be analyzed according to five interacting arenas of a consolidated democracy.

2.2 The third wave of democratization

Huntington's 3rd wave of democratization began with a collapse of the authoritarian regime in Portugal in 1974 (Huntington, 1993, p. 21). This change was a prelude for the upcoming upheavals all over the world. Huntington (1993) denotes this phenomenon as domino effect or snowballing (p. 100). However, the third wave gained momentum and seized the Central and Eastern European countries only after 1989. After 1989 the USSR "protective, hegemonic umbrella" which restricted and determined both internal and external affairs of the states disappeared and the 3rd wave of democratization began.

After the WWII, the world was veiled with a hope in a restoration of the multilateral cooperation of states which was followed by the immediate resurgence of the great, still functioning institutions: NATO (North Atlantic Treaty Organization) and European Economic Community (today renamed to the European Union). Soviet response to both the structural and functional gathering of the Western powers resulted in the establishment of the COMECON (Council for Mutual Economic Assistance) and NATO's military counterpart- the Warsaw Pact. Both COMECON and the Warsaw Pact, vastly inspired by the Communist ideology, clustered together Soviet Socialist Republics, as well as seven satellite states.

While the democratization wave had been successfully circulating all over the Western Europe and the United States, Central and Eastern European countries still remained in communist, political deadlock. End of bipolarity and long-term, smoldering tension between the United States and the Soviet Union, commonly known as a Cold War, came with the collapse of the USSR. This appeared to be the perfect occasion to overthrow the post-totalitarian communist regimes. Huntington (1993) has noted that there are several key factors that had a strong impact on the 3rd wave of democratization.

Firstly, the legitimacy of the Communist ideology experienced an excessive decline. It is essential to understand that the linkage between Communism and the Soviet Union was unbreakable. With the rise of skepticism toward the Communist ideology, the situation in the Soviets only worsened. The main source of the Communist ideology was founded in Marxist-Leninist philosophy. Nevertheless, Lenin's "heaven on earth" was not possible to be established; socioeconomic inequalities gradually emerged on the surface

which started to make a stratified, class society (Huntington, 1993, pp. 46-59). Furthermore, economic backwardness burdened the state and the Soviet Union became a slave of its ideology. New sources of legitimacy for the Communism were not available since they were totally opposite from the core, ideological principles of Communist ideology.

Secondly, the ground for the blossoming of democracy was economic development. Soviet centrally planned economy simply wasn't able to catch up with the growth and development of the Western market economy. Subsequently, GNP per capita of the Western countries was profusely higher than Soviet ones (Huntington, 1993, pp. 59-72). Just for an illustration of huge disparity between the West and East, we can take a look back to period from 1973-1989 when the level of the income in the CEE countries fell down from nearly one- half to marginally more than one-third of Western's ones (Berend, 2009, p. 34) (Table 1). On the other side, the United States, one of the cradles of the capitalist, market economy, was labeled as a promised land, as well as the most prosperous one. The beginning of the 1990s are known as the golden era of the United States-centered, Western hegemony. In 1989, IMF, WB, and the US Treasury Department launched the set of 10 prescriptions widely known as Washington Consensus. It was designed for the still vulnerable economies in transition for both America and the CEE countries. The main emphasize of the package was put on the liberalization of the trade, privatization, and deregulation (Berend, 2009, p. 42). However, Washington Consensus was not left without sharp criticism. Namely, Joseph Stiglitz, a world- famous, American economist, later expressed his critical view towards the Washington prescriptions. In his opinion, privatization should have been conducted more carefully without focusing on the speed of transition. The Shock Therapy was too abrupt for the barely functioning CEE markets. Similarly, Lawrence Klein advocated the Asian approach to transitions which was more gradual and entailed cautious liberalization (as cited in Berend, 2009, p.48).

Table 1. *Per capita GDP of Central and East Europe as a percentage of Western European GDP*

| Country | 1973 | 1989 |
|------------------------------------|-------------|-------------|
| Central and Eastern Europe* | 49 | 37 |
| Czechoslovakia | 42 | 36 |
| Hungary | 57 | 51 |
| Poland | 45 | 40 |
| Poland | 43 | 33 |
| Romania | 28 | 23 |
| Soviet Union | 49 | 42 |
| Yugoslavia | 34 | 35 |

* Un-weighted average.

Source: Maddison, 1995a:201 as cited in (Berend, 2009, p. 34)

Thirdly, modernization of religion as well as some attitudinal changes which occurred within it, helped promote democracy, but also considerably weakened the Communist ideology on the other side. Protestantism has always been deeply associated with capitalism. Weber argues that Protestant ascetics contributed to an accumulation of the capital and rise of modern capitalist spirit (as cited in Fulcher & Scott, 2011, pp. 397-398). Accordingly, as previously stated, the advanced economy of capitalism is a solid background for the installation of democracy and democratic institutions. However, Catholic Church had not been always associated with democracy, but rather with the local, authoritarian regime in Latin America. The breaking point occurred during the mid-1960s when Catholic stopped supporting authoritarian regimes in Latin America. The event which shaken the Communist ideology was when the Pope John Paul II, openly supported Polish opposition (Solidarity). Later on, the Pope supported other democratizations as well (Huntington, 1993, pp.73-85).

Lastly, the dramatic change in the external policies occurred both from the Western and Soviet side. The European Community became more numerous and attracted other countries to join. The Community was seen as a good ground for economic development, welfare, and prosperity. The European Community, as a defender of human rights and democracy, organized the Conference on Security and Cooperation in Europe (CSCE), usually known as the Helsinki Accords. The signatories of the Helsinki Accord were the United States, Canada, and all European countries except Albania. The Conference opened the Pandora's Box concerning human rights of the CEE countries. As Huntington (1993) claimed, "Helsinki was an incentive and weapon for reformers to use in attempting to open up their societies" (p.90). In the same vein, just on the other side of the Atlantic, the United States, at the beginning of the 1970s also became engaged in defending human rights. This policy slightly changed during the 1980s with the arrival of neoliberal, extremely anti-communist tide headed by American President Reagan. Reagan's administration adopted a more aggressive approach in which "they promote democratic change in both communist and non-communist dictatorships" (Huntington, 1993, p.93). The United States' administration meddled in other countries' state affairs by using various methods, from economic sanctions to diplomatic actions in order to promote democratization. (Huntington, 1993, pp. 85-98).

The foreign policy of the Soviets gradually started to change when new-elected President Gorbachev introduced new liberalization reforms *perestroika* ("rebuilding") and *glasnost* ("openness"). With these reforms, Gorbachev abolished the Brezhnev Doctrine which meant that the Soviet Union administration would not intervene in countries' affairs anymore. As a result, each country had a right to decide about both its internal and external policies (Huntington, 1993, p.85-100).

These were the main actors which initiated the 3rd wave of democratization. What followed in 1989 was the massive snowballing effect in whole CEE Europe.

2.3 Czechoslovakia before 1989

In order to understand the democratic transition, we need to briefly examine the history of the Czech Republic which vastly influenced the democratization process. Huntington points out that there is a huge correlation between consolidation success and previous experience with democracy. Prior democratic experience is only an advantage for countries' later experiments with democracy. (Huntington, 1993, pp. 270-271).

Czechoslovakia firstly implemented democracy in 1918 when it officially got independence as one of Austro-Hungarian successor states. With diplomatic skills of Masaryk who lobbied for the independence, Czechoslovakia was one of the states which profited from the Versailles Treaty. In the post- WWI period when almost all East European countries fell under some form of authoritarian regime, Czechoslovakia was one of the rare countries which embraced democracy and became a functioning parliamentary democracy (Leff Skalinik, 1996, p. 21). Being far from an ideal type of democratic state, Czechoslovakia had a problem with national minorities that were creating an unstable political party system and fragmentations in the Parliament. Namely, Czechoslovakia was an extremely diverse and heterogeneous state. In the Czech lands, a considerably large German minority used to live, while in Slovakia, the Hungarian minority was very numerous. Moreover, a significant number of both Jews and Poles were living on the territory of Czechoslovakia (Leff Skalinik, 1996, p. 8).

With the Munich Agreement in 1938, Czechoslovakia was annexed by German Nazi forces. Czechoslovakia became a victim of geopolitical manipulations and prey which was given to Hitler to satisfy his wish for territorial expansion. What followed after the annexation was the establishment of the German protectorate of Bohemia and Moravia in spring, 1939. By this act of scarifying their sovereignty, Czechoslovaks felt betrayed by the West. As a consequence, they developed some sort of negative attitude and animosity towards their previous Western allies. This negative attitude toward the West created the conducive and fruitful ground for the rise of communism. (Leff Skalinik, 1996, p. 40) With the Košice Government Program in 1945, the communist party with Klement Gottwald took the leading role in the state and abolished right-wing parties. What followed was an

additional strengthening of the Czechoslovak Communist Party (KŠC) under the patronage of Moscow.

During the mid-1940s, a series of decrees promulgated by the President Edward Beneš came into force. The most controversial one was prescribed for the expulsion of Germans, Nazi criminals, traitors, and their collaborators from the Czechoslovakia. This contributed to relatively homogeneous Czechoslovakia. Until 1989, Czechs constituted 94% of the whole Czech Republic's territory, while in Slovakia 87% population were Slovaks (as cited in Leff Skalnik, 1996, p. 9). Ethnical homogeneity of the Czech Republic later facilitated democratic transition since it created a relatively stable political system without ethnic cleavages between parties.

In May, 1946, last free elections were held in Czechoslovakia and Klement Gottwald, leader of the KSČ, formed a government and became the prime minister. After the "Glorious February Revolution" in 1948, all non-communist ministers resigned in order to express their dissent toward the illegalities of KSČ. Formal and fraud parliamentary elections followed in May, 1948 with the KSČ winning the elections. In July, 1948 President Edvard Beneš resigned and Klement Gottwald became the new president (Leff Skalinik, 1996, pp. 48-51) Inspired by the Moscow Trials, the communist government initiated harsh processes with Milada Horáková and Heliodor Píka who were accused of being "class enemies" and conspirators against regime.

After the death of Stalin and Gottwald in 1953, new debates about the style of governance emerged. Very soon it was visible that the Soviet Model of the economy was inappropriate for the already developed Czechoslovak economy. In fact, Czechoslovakia was already industrialized in comparison to the Soviet Union. However, Czechoslovakia needed to conform to Soviet centrally planned economy and the Five- Years Plans (Leff Skalnik, 1996, pp.51-55). In the mid-60s, Ota Šik attempted to introduce a set of economic reforms which would have been a step toward a mixed economy. In 1968, Aleksandr Dubček- the newly elected head of the KŠC, became "a crusader for a reform, the embodiment of 'socialism with human face'." He wanted a reformation of the KŠC in which the party "would retain its leading role, but this time by earning it in responding to population needs and demands"(Leff Skalnik, 1996, p.57). Dubček's de-Stalinization

reforms and his attempt to create democratic socialism remarked the beginning of peaceful revolution of 1968, better known as Prague Spring.

Dubček's swift and genuinely revolutionary reforms of freedom of the press, as well as other liberalization policies, created a potential threat to Moscow. The Soviet leadership feared that these reforms in Czechoslovakia could create a domino effect in other CEE countries (Valenta, 1991, p. 12). Soviet reaction to architects of these reforms and to Prague Spring was vigorous and brutal suppression. This culminated in July 1968 at The Conference at Čierna nad Tisou where after long negotiations and bargaining, Dubček, pressed by Brezhnev promised to avoid anti-socialist tendencies. Immediately after Čierna nad Tisou Conference, the Bratislava Declaration also tried to solve Czechoslovak crisis. Both the Čierna and Bratislava conferences were the last tries of noninterventionist side to prevent a military engagement. Eventually, on August 21, 1968, Soviet-led Warsaw Pact military invaded Czechoslovakia. Moreover, this act was justified by the announcement of a previously mentioned Brezhnev Doctrine. (Valenta, 1991) This signaled the end of Prague Spring and the entry into a new, obscure period of normalization by which Czechoslovakia fell into an almost thirty years long period of lethargy and stagnation. It was a moment when all hopes and illusions of better future deeply sank into oblivion.

The so-called "normalization" period lasted from 1969 until 1989. It was a period of demoralized political silence, extinguished civil life, no political pluralism, and almost no parallel society. Freedom of expression, arts and literature were strongly censored and restricted. *Samizdats*, one of the rare forms of alternative culture, were underground dissident publications that used to circulate from reader to reader. Political society became ossified and monotonous, with "sclerotic" bureaucracies (Mansfeldová, 2006, p. 101). A glimmer of hope appeared after the Helsinki Accords when Czechoslovak society gradually started to wake up. Thus, in 1977 Charter 77 emerged as an informal, clandestine civic initiative that was comprised of the group of urban, spiritual intellectuals, dissidents, artists and students against the regime. As drafted in *Manifesto of Charter 77* (1977) "Charter 77 is a loose, informal and open association of people of various shades of opinion, faiths and professions united by the will to strive individually and collectively for the respecting of civic and human rights in our own country and throughout the world"(p.3). Until 1989,

there was no significant and politically structured opposition, but rather quite rare protest groups. Right this generation of members of Charter 77, including Vaclav Havel, established the Civic Forum in 1989 and played the most significant role during the Velvet Revolution (Leff Skalnik, 1996, p.61).

2.4 The Velvet Revolution and the beginning of transition

As previously explained in Chapter 2.2, the fall of Brezhnev Doctrine allowed the 3rd wave of democratization to victoriously enter and progress all around Central and Eastern Europe. The new doctrine which replaced Brezhnev Doctrine was symbolically called “Sinatra Doctrine” upon a singer Frank Sinatra and his song *My Way*. This doctrine allowed every country, which was previously under the Soviet umbrella, to choose its own reforms and to follow “its own way.”

According to Linz & Stephan (1996), Czechoslovak regime from 1968 until 1989 can fall into the category of the frozen post-totalitarian-by-decay regime. In the frozen post-totalitarian regimes “Despite the persistent tolerance of some civil society critics of the regime, almost all other control mechanisms of the party-state stay in place for a long period and do not evolve”(p.42). This was clearly the case of Czechoslovakia since back then, the government was “a prisoner of the legacy of the invasion of 1968 not only as regards policy but also respecting the selection of personnel” (Wheaton & Kavan, 1992, p. 35). From another standpoint, the previous regime in Czechoslovakia could be classified as bureaucratic-authoritarian communism. This type was specific for countries that had experienced democracy in inter-war period as Czechoslovakia surely did. Furthermore, in political terms, bureaucratic- authoritarian communism corresponds with already reached certain level of industrialization and rests upon a technocratic structure of government that does not tolerate any political diversity (Kitschelt, Mansfeldova, Markowski & Toka, 1999, pp.25-26).

Vaclav Havel (1985) in his notable essay *The Power of The Powerless* explained his resentment toward post-totalitarian reality:

“Between the aims of the post-totalitarian system and the aims of life there is a yawning abyss: while life, in its essence, moves toward plurality, diversity, independent self-constitution, and self-organization, in short, toward the fulfillment of its own freedom, the post-totalitarian system demands conformity, uniformity, and discipline. While life ever strives to create new and improbable structures, the post-totalitarian system contrives to force life into its most probable states. The aims of the system reveal its most essential characteristic to be introversion, a movement toward being ever more completely and unreservedly itself, which means that the radius of its influence is continually widening as well. This system serves people only to the extent necessary to ensure that people will serve it” (pp. 29-30).

However, the frozen post-totalitarian regime in Czechoslovakia neared its end in 1989. Prelude to 1989 upheavals started in 1988 with a series of commemoration events such as Candle demonstration in Bratislava and Palach Week in Prague. Initially, Czechoslovak society was more or less passively observing events in their neighbor, post-communist countries without serious. Negotiations between communist authorities and opposition led by Solidarity in Poland resulted in the Round Table Agreement at the beginning of April 1989. Similarly, Hungarian, communist government tried both to accommodate and to find a compromise with the opposition. The fall of the Berlin Wall on November 9, 1989, additionally aroused smoldering aspirations for the change in Czechoslovakia (Leff Skalnik, 1996, p. 76). The final dismantling of communist regime started on November 17, when the mere commemoration of International Day of Students and the murder of Jan Opletal turned to mass demonstrations. Protestors were mainly students and urban dissidents who struggled to find an appropriate solution for regime deadlock. After several days of protests, significant changes started to happen. On November 24, Secretary General of the Communist Party of Czechoslovakia, Miloš Jakeš resigned while being replaced with Karel Urbánek. The protests spread and mobilized even more people. Nevertheless, the key link for the success of demonstration was mobilization of working class, not only in Prague and Bratislava, but all around Czechoslovakia. The Velvet Revolution's euphoria reached massive character on November 27, when 75 percent of workers all over Czechoslovakia joined a two-hour general and expressed their

dissatisfaction with a regime. This was only a test for the opposition which confirmed that they had huge public support for a regime change. On November 29, the General Assembly annulled Article 4 of the Czechoslovak constitution that stipulated the leading role of the communist party. This opened a legal space for the emergence of new parties. By December 4, Gustav Husák,” the President of Forgetting, “as Milan Kundera called him, also submitted his resignation (as cited in Linz & Stepan, 1996, p.320). Finally, on December 29 Vaclav Havel was elected by the communist Parliament as a president of Czechoslovakia. An interim, transitional government was made as a coalition between the Communist Party of Czechoslovakia and an opposition group Civic Forum with the President Vaclav Havel. The first, free, democratic elections were scheduled for July 1990. Vaclav Havel was re-elected as a President and the Federal Government was formed from Civic Forum and its Slovak pendant Public Against Violence (Linz& Stepan, 1996, pp.320-327).

Political scientists have different theories and names for the regime change that occurred in Czechoslovakia after 1989. According to Linz &Stephan, the situation in Czechoslovakia didn’t lead to pacted or negotiated transition as it happened in Poland and Hungary. The Polish almost authoritarian and the Hungarian mature post-totalitarian regime had relatively strong oppositions, as well as communist authorities that were ready to negotiate. On the contrary, “Czechoslovak hard-line regime gave no space for reformists moderates in the party state” and opposition despite huge moral presence “had no negotiating capacity with the regime and indeed was not institutionally organized to conduct strategic and tactical negotiations.”(Linz& Stepan, 1996, pp.321-322). This engendered simple collapse of a regime which is a different model from negotiated transition or overturn of the regime. In Huntington’s words (1993), Czechoslovakian transition can be classified as transplacement. Transplacement is a result of both the government’s and the opposition’s unreadiness to make some radical steps which may result either in transformation or replacement (p.151). While Kitschelt et al. classify Czechoslovakian regime change as an implosion. Implosion occurred “where the elites, based on monolithic coherence of the communist party machines and long-standing support from working class, intransigently refused to bargain for change, thus delaying any further reform that would have enabled them to rescue some of their resources into a post-

communist order” (Kitschelt et al., 1999, p.31). Thus, in Czechoslovakian case, back then still ruling communist party simply succumbed under the pressure of mass protests.

What followed after the Velvet Revolution are extensive reforms and changes in every sphere. On the one side, two factors already mentioned, relatively alleviated Czech transition to democracy: firstly, previous experience with democracy which is in Czechoslovakian case more than 9 years (Huntington, 1993, p. 271) and secondly, Czechoslovakia is relatively ethnically clean with no sizeable minorities. As Linz & Stephan (1996) argued “The more the population of the territory of the state is composed of pluri-national, lingual or cultural societies, the more complex politics becomes an agreement on the fundamentals of a democracy will be difficult” (p. 29). On the other side, dissolution of the Czechoslovakia interrupted and impeded transition of both republics. The Velvet Divorce will be subject to analysis in next Chapter.

2.5 The Velvet Divorce

The Velvet Divorce entered the history in an unusual way. It was a dissolution of one ethnofederal state that passed without war and violence which is an extremely rare occurrence. The result of this divorce was a bifurcation of Czech and Slovak Federal Republic to two new, independent states: the Czech Republic and Slovakia. The dissolution occurred on January 1, 1993, in the middle of the turbulent period of transition which was surely a huge stumbling stone for the further progress. Luckily, Czechoslovakia didn't share the Yugoslavian scenario and two divorced states continued to prosper towards democracy and the European Union more or less proportionately. What we will investigate now are potential factors and reasons that had impact on Velvet Divorce.

There has always been respective socio-cultural and historical discrepancy between Czech-lands and Slovakia. Namely, Czech-lands, as the heartland of early European industrialization, were more economically developed under the influence of the Austrian part of Austro-Hungarian Empire. On the contrary, Slovakia was a more agrarian and undeveloped economy, controlled by the Hungarian half of the empire (Linz & Stepan, 1996, p. 328). Moreover, Czechs were more secular due to weakening of religious

influence during the centuries, while Slovaks were mainly Catholic oriented. However, neither the relative backwardness of Slovakia nor cultural-religious differences contributed significantly to the collapse of Czechoslovakia.

Public will of the people as one of the potential sources of the separation could also be rejected. Paradoxically, despite the majority of its citizens who were in favor of preservation of some type of state arrangement of Czechoslovakia, dissolution happened. It is visible from the Table 2. , the least favorable option in both Slovakian and the Czech-lands was complete dissolution. Accordingly, Czech and Slovak politicians completely disregarded the will of the majority of people without giving them an official way to express their opinion- referendum. This act of separation without consent of its citizens has been criticized by many as a possible failure of democracy (Leff Skalinik, 1996, p. 139). But nevertheless, as we will see in the continuation of this Chapter, there were some obstacles which were more question of high politics.

Table 2. *Preferred State Arrangements (November 1991- July 1991) in Czech-lands (CR) and Slovakia (SR) (in percentages)*

| Type of State Arrangement | November 1991 | | May 1992 | | July 1994 | |
|---------------------------|---------------|----|----------|----|-----------|----|
| | CR | SR | CR | SR | CR | SR |
| Unitary state | 39 | 20 | 34 | 12 | 38 | 14 |
| Federation | 30 | 26 | 28 | 33 | 19 | 27 |
| “Land-based republic” | 20 | 6 | 22 | 6 | 18 | 8 |
| Confederation | 4 | 27 | 6 | 31 | 3 | 30 |
| Two independent states | 5 | 14 | 6 | 11 | 16 | 16 |
| know | 2 | 7 | 4 | 7 | 6 | 5 |

Source: (as cited in Linz& Stepan, 1996, p.329)

Reasons of dissolution were definitely more political in nature and also strongly rooted in the disagreements over economic reforms. Firstly, a whole debate started in early 1990 and it developed into something that is commonly-known as “hyphen war.” It was a dispute over the official name of Czechoslovakia. Unsurprisingly, Czechoslovakia had changed its name three times. From Czechoslovak Socialist Republic to Czecho-Slovak Federative Republic and finally to the Czech and Slovak Federative Republic which was at the same time the last name of the former state. After the elections in 1992, it was obvious that the standpoints of two prime ministers were not going toward the same direction. Slovak Prime Minister, Vladimir Mečiar and Czech Prime Minister, Vaclav Klaus had totally different and incompatible visions of the future of Czech and Slovak state. Mečiar preferred more decentralized confederation, while Klaus preoccupied with economic reforms, wanted “tighter federation” (Leff Skalinik, 1996, pp. 130-131). Very soon Mečiar's party *Hnutie za demokratické Slovensko* -HZDS became the source of Slovak nationalism and supporter of confederal vision of the state. Mečiar was a really influential political figure at that time that managed to arouse nationalistic emotions in Slovaks. Mečiar even asserted that Czech politicians were not interested in the preservation of common state, but rather with “causing its disintegration and putting the blame on Slovaks” (Fisher, 2006, p. 46). What additionally contributed to tightening relation was the fact that President Havel was apolitical and isolated himself from the Civic Forum. Havel didn't use his authority and reputation, which was far beyond of constitutional borders, in order to try to save Czechoslovakia.

Secondly, initial conditions and prospects for transition to democracy in the Czech Republic were way better than in Slovakia. Czechs have always been more modern and developed society and they felt some kind of superiority toward Slovaks. This became especially visible when Klaus started his radical, Washington consensus-inspired economic reforms at the beginning of the 90s. Unemployment rose dramatically and Slovak economy simply started to stagnate even more. Therefore, the pace of Czech market reforms was not suitable for Slovakia in the short-time period. Both Czech and Slovak politicians were not able to find a common solution which would have been viable and without some serious constitutional changes (Leff Skalinik, 1996, p. 188).

Thirdly, the disintegrative potential was mainly rooted in the non-changed Soviet-style-federal constitution. This kind of constitution was not a solid and stable ground for the establishment and further development of the federal republic. Namely, the Czechoslovak inherited Soviet-style constitution that was specific due to its blocking characteristics and three centers of power. The constitutional power of blocking was extremely high and legislative act could be passed only if over 60% of all members in both Slovak and Czech Chamber of Nations, as well as in the Chamber of Peoples would vote in favor or against. This aggravated any future, possible constitutional revision resulting in a political deadlock which accelerated dissolution of Czechoslovakia (Linz & Stepan, 1996, p. 330). Moreover, both Czech and Slovak prime ministers had a veto power over each other which created additional deadlock for decision-making.

Lastly, the Czech-Slovak stalemate was even more fueled by the fact that Czechoslovakia was vastly segmented and there was no state-wide party that entered the National Assembly except the Communist Party of Czechoslovakia- KŠC. This means there was no overarching party which was representing state interests (Leff Skalinik, 1996, p. 134).

All in all, as we have seen, there are several factors which triggered the final disintegration of Czechoslovakia. Either way, each country after the dissolution enjoyed its full autonomy while creating its own policies. Nevertheless, with the 2004 accession to the EU, both Slovakia and the Czech Republic re-married each other, but this time under the auspices of the European Union.

3. Five arenas of consolidated democracy

The Czech Republic has a solid democratic skeleton since the institutions were formed from above and *a priori* to democratization process (Mansfeldová, 2006). Even though democracy in the Czech Republic as we may guess can hardly be challenged by another form of governance, there are still several improvements that should be crafted for a democracy to be fully consolidated. Therefore, this Chapter will investigate the five major, inter-relating arenas which assemble the puzzle of a consolidated democracy. Each arena needs support from another one in order to have fully functioning democratic society. Firstly, this thesis will deal with a short explanation of single arena. Secondly, detailed analysis of each arena of a modern consolidated democracy in the Czech Republic will follow.

The arena of civil society entails various self-organizing groups who are relatively independent of the state and have freedom of association and communication. The fully functioning civil society comprises of citizens who are actively taking part in election, generating political alternatives and monitoring government. By political society, we refer to the arena in which free and inclusive electoral contestations are being held. Furthermore, political and civil societies are complementary to each other. What this thesis will investigate under the arena of rule of law are rules and laws which are part of legal culture- constitutionalism. The rule of law is a clear and hierarchical set of norms interpreted by an autonomous judicial system and respected by civil and political society. These three arenas are preconditions for the achievement of a consolidated democracy. Two final, supportive arenas of a consolidated democracy are state bureaucracy and economic society. By arena of state bureaucracy, we mean a usable state bureaucracy led by new democratic government. While the arena of economic society in a consolidated democracy requires is institutionalized market represented in the framework of socio-politically accepted norms, institutions and regulations. Centrally-planned economy is being replaced by the market economy where state interventions are reduced to its minimum. Free trade, free enterprise and relatively free determination of prices are characteristics of market economy (Linz & Stepan, 1996, pp. 7-15).

All in all, rule of law (*Rechtsstaat*) and constitutionalism, human rights protection, market economy reforms, integration with NATO and the EU, and the principles of civil society and individual economy are the main political goals according to Přibán & Young (1999) which are to be fulfilled during the process of democratic transition. Moreover, these goals coincide with reforms in Linz & Stepan's five arenas of consolidated democracy. Throughout the next chapters of this thesis we are going to investigate development of aforementioned political goals in the framework of five arenas of consolidated democracy.

3.1 Civil society

The Czech Republic gained a reputation of a country with dynamic democratic transformations. The acquired status could be mostly owned to the rapid and abrupt economic reforms. However, economic reforms were not the only changes that occurred in Czech society after 1989. Elicited by the collapse of regime and free elections, Czech civil society started to prosper. The underground dissident scene of Czechoslovakia, led by the members of Charter 77, had been inspired by Western rock icons and their music. After the Velvet Revolution, Western popular culture gradually started to penetrate into the every sphere of human interference. John Lennon's picture on the wall of Havel's apartment, Havel appointing Frank Zappa as "Special Ambassador to the West on Trade, Culture and Tourism," (Mašťalíř, 2006) were the prelude for embracing Western values and opening of civil society. Unfortunately, mere imitation of the West was not enough for calling one country a consolidated democracy. Reconstruction of a civil society was a complex task and development of democratic mindset of citizens couldn't happen overnight.

Civil society is a comprehensive term which includes freedom of association and participation in elections, as well as resurgence of free media. Furthermore, civil society can be interpreted as a buffer zone between the state and individual citizen. The role of civil society is of a great significance since active civil society can help deepening and consolidation of democracy, as well as generation of political alternatives. As mentioned before, all five arenas of consolidated democracy are interconnected, as well as interdependent on each other. Thus, arena of civil society needs support from the arenas

such as rule of law, state bureaucracy and economic society (Linz & Stepan, 1996, p. 14). But nevertheless, in this Chapter, we will mainly focus on changes that occurred within the civil society before 2004.

Before the more detailed analysis of several components of civil society, this thesis will investigate general attitude of Czechs toward democracy. As reported in Table 3. , we can see that Czechs had rather positive view on democracy in 1998. The vast majority of Czechs (almost 90 percent) favors democratic political system. Similarly, 84.8 percent of citizens share an opinion that democracy has its own flaws, but is better than any other form of governance. As Mansfeldová (2006) points out, “attitudes which at first glance might signal a return to communist interventionism could be also interpreted as a reaction to extreme neo-liberal policies” that were prevalent during the time of Klaus government (p. 116). All in all, generally positive attitude of people toward democracy and the awakening of citizens’ democratic mindset made a good environment for further boosting of democracy in the Czech Republic.

Table 3. *Attitudes toward democracy, 1998, %, Czech Republic*

| | | <i>Very good</i> | <i>Fairly good</i> | <i>Fairly poor</i> | <i>Very poor</i> | <i>Don't know</i> |
|--|------------|------------------|--------------------|--------------------|-------------------|-------------------|
| <i>Having democratic political system</i> | <i>a</i> | 37.0 | 48.1 | 7.1 | 1.7 | 4.8 |
| | | Strongly agree | Agree | Disagree | Strongly disagree | Don't know |
| <i>Democracy may have problems but it's better than any other form of government</i> | <i>may</i> | 32.4 | 52.4 | 6.9 | 1.6 | 6.7 |

Source: (Mansfeldová, 2006, p. 103)

Political involvement and participation are of crucial importance for the development of civil society arena. Interest in politics was extremely high immediately after the revolution in November 1989. In 1990, 72.5 percent citizens declared themselves as “very interested”, while 27.5 percent declared as “interested” in politics. In addition, 96.8 percent of the electorate had actually participated in elections (Mansfeldová, 2006, p. 105). However, “the first free elections were not quite standard democratic elections with competition between well-developed political parties declaring different programs and representing interests of different social groups” (Večerník & Matějů, 1999, p. 230). They were rather in function of overwhelming and spontaneous opposition that wanted to overthrow old, communist party. Next elections in 1992 tended to be more structured and organized in terms of the left-right division between political parties (Večerník & Matějů, 1999, p. 230). Nonetheless, the number of citizens who had been engaged in politics in the next elections declined sharply. For instance, in 1998, only 55.9 percent were interested in politics with election turnout of only 74 percent (Mansfeldová, 2006, p. 105). In 2004 Czech citizens were able to vote in elections for the European Parliament for the first time. The turnout of these elections was extremely low- only 28.3 percent while the EU-25 average was 45.47 percent (European Parliament, 2014). Altogether it seems that Czech citizens have lost their illusion and enthusiasm which they had at the beginning of the 90s. Up to some extent Czechs are apolitical, but still they can change their government democratically and it is their individual right to decide whether they will vote in free and fair elections or not.

Besides electoral participation and political interest, freedom of association is the next important segment of civil society. According to Mansfeldová (2006), the opportunities for participation raised with the development of associational landscape into more pluralistic one. In 1995, Law on Public Benefit Corporations (Companies) (Act No. 248/1995) was adopted by the Parliament promulgating establishment of public benefit organizations that work under non-profit principle (Division for Public Administration and Development Management & Department of Economic and Social Affairs, p. 8). Moreover, as legally stipulated in Articles 18 and 20 of the Charter of Fundamental Rights and Freedoms of the Czech Republic, citizens are guaranteed right of petition and free

association. ¹Even though the number of voluntary organization increased, citizens' membership in them is rather low. Civic membership in churches and political parties seemed to be one of the least attractive while sport and leisure time associations were the most popular (p.106). Freedom House (2005) Report states following "Czech citizens may assemble peacefully, form associations, and petition the government. Trade unions and professional associations function freely. Judges, prosecutors, and members of the armed forces and police may not strike." Moreover, freedom ratings, civil liberties, and political rights in the Czech Republic were assessed with the best grade "one" by Freedom House (2005).

Another important part of active civil society is uncensored, free media. Under the communist regime TV, radio newspapers were directly controlled by the communist party. However, one of the bright spots in the information- scarce lethargy were Radio Free Europe (RFE) and Radio Liberty (RL). RFE&RL had a great broadcasting mission for the countries behind the Iron Curtain. Namely, RFE and RL represented an unbiased and professional "surrogate" broadcasting whose main challenge was operating in "information-poor environments" (Radio Free Europe & Radio Liberty, 2016). In 1995, RFE&RL moved their headquarters from Munich to the former Czechoslovak Federal Assembly building in Prague. Today, the headquarters are settled in the new, highly secure building located in the suburb of Prague. RFE&RL served as the source of inspiration both for Czech dissidents, and opposition against communist governments in the whole CEE. These two broadcasting stations became the symbol of free and independent media. Besides RFL& RL's role in the history of media, the real establishment and consolidation of public information channels started with the Velvet Revolution in 1989. In March 1990, press law was amended and came into the force allowing private newspapers to publish. As later regulated in Article 17 of the Charter of Fundamental Rights and Freedoms of the Czech Republic, everyone has the right to express its own opinion in various forms while censorship is not allowed. ²Accordingly, the former state centralized system of media disappeared. Dozens of new journals were established at the beginning of the 90s, from various daily newspapers to tabloids such as *Blesk*. But still the state continued to control

¹ Charter of Fundamental Rights and Freedoms of the Czech Republic, Articles 18. and 20., Ch. 2.

² Charter of Fundamental Rights and Freedoms of the Czech Republic, Article 17., Ch. 1.

printing and distribution institutions since the privatization process didn't occur overnight. Very soon Czech versions of worldwide magazines such as *Elle*, *Burda*, *Cosmopolitan*, and *Playboy* found their way to the Czech press market. What is very specific for Czech print media is that most of them, except *Právo* (previously called *Rude pravo*), are owned by foreign media conglomerates (Kroupa & Smid, 2005, pp. 1-4). Improvements in press could be seen in the topics of the concern in the newspapers' articles. Some Czech newspapers are highly dedicated to the revelation of corruption cases and public mismanagements in the Czech Republic (Jancsics, Láštík, Solon-Lipiński, & Zelinger, 2012, p. 50).

The slowest change occurred with TV broadcasting since the state had a vast influence in this sphere. The reason why government tremendously had censored television was to the fact that television is the most powerful source of information for citizens (Leff Skalinik, 1996, pp. 112-118). Before, the only TV broadcaster was *Czechoslovak Television* owned directly by the state. After 1989, various TV stations started to emerge. With the split of the state, *Česká televize 1 (ČT1)* and *Česká televize (ČT2)* were established by the law and keep the status of independent public corporations regulated by the Parliament (Kroupa & Smid, 2005, p. 1). In 1994, *Nova TV* has appeared as the first private nationwide TV station mostly designed as an entertainment channel greatly inspired by the Western TV programs. Mansfeldová also(2006) reports marginally higher confidence level in TV media in comparison to print media (p.112).

The arena of civil society in consolidated democracies entails both arts and literature not subordinated to political goals and ideology of the regime. During the normalization period, freedom of creativity and cultural expression in arts and literature was harshly restricted. Writers like Milan Kundera and Pavel Kohout fiercely criticized communist totalitarian regime in Czechoslovakia. Therefore, they were both forced to leave Czechoslovakia. With a dismantling of the communist regime, arts and literature became free and unrestricted. One of the contemporary most eccentric Czech artists is David Černý. He gained public attention in 1991 by painting a Soviet tank in pink color. Another controversial installation was the insertion of two men urinating on a pond which is in the shape of Czechoslovakia. If these acts had occurred under the communist regime, the author would have been punished. This is only the confirmation that artists and writers

are able to express their opinion freely and to criticize political society without further consequences. However, what became troublesome for them was the fact that arts became in function of commercial censorship since the states subsidies for culture dwindled (Leff Skalinik, 1996, p. 118).

What constitutes a “healthy” civil society is the existence of equal human and civil rights, as well as ineluctable political rights. These rights are embodied in the Czech Republic's Charter of Fundamental Rights and Freedoms, declared as part of the constitutional order as of December 16, 1992, and amended in 1999. This Charter is not built in Czech constitution directly, but as stipulated in Article 3 of the Constitution of the Czech Republic, it still has the same force as constitutional law.³ More details about the Charter and rights regulated by it will follow in Chapter 3.3 as part of the analysis of rule of law arena. However, when it comes to the protection of minorities, the Charter is not always an absolute guarantor of the same. As a consequence of a decade- long isolated life, Czechs tend to show some xenophobic features. As previously mentioned, Czech society is relatively ethnically homogenous which up to the some point facilitated transition to democracy in terms of political representation and ethnic cleavages between political parties. But nevertheless, as other countries in CEE region, the Czech Republic also experienced the problem of Roma question. Roma minority is often socially excluded and lack both human and civil rights. The media is one of the main tools which contributed to the social exclusion of Roma minority, as well as wrong, public depiction. Furthermore, Czech society has strong tendencies toward marginalization of Roma people on the labor market (Sedláková, 2006). The most controversial law in regards to the Roma minority was so-called “Roma clause.” This law stipulated conditions under which citizen of the Slovak Republic and other non- Czechs might apply for Czech citizenship. The most contentious requirement was a demonstration of a clean criminal record for the preceding five years which applied to everyone, except ethnic Czechs. This law had mostly affected Roma minority which caused thousands of Roma people lacking the citizenship. In 1996, citizenship law was amended by the setting of the condition of two years in a sentence instead of clean criminal record for the previous five years (Leff Skalinik, 1996, pp. 171-

³ The Constitution of the Czech Republic, Article 3., Ch. 1.

172). Situation additionally improved in 1999 when the new law restored citizenship to many residents, including Roma, who were subject to discrimination. Moreover, in 2001, the National Assembly adopted legislation for the protection of ethnic minority rights. The law's provisions entail the establishment of a governmental minority council (Freedom House, 2002). Therefore, we could say that the Roma minority is becoming more integrated and socially included in Czech society.

The whole debate about the rights of minorities may lead us to the question of solidarity and tolerance among citizens which are the most prominent values of civil society. Tolerance toward homosexuality generally rose in comparison to the situation before 1990. As a result of political and economic changes which occurred after 1989, many people lost their jobs which created a huge discrepancy between the newly emerged class of capitalist profiteers and losers of the transition process. Thus, inequalities among people simply rose and solidarity with the poor lowered. Unsurprisingly, 62.9 percent of respondents share the opinion that the government should be more involved and provide more help for the poor (Mansfeldová, 2006, pp. 113-116).

To conclude, “Reconstructing civil society was also about the process of rebuilding the region’s distinctively European heritage, indicative of what was later called a ‘return to Europe’ ” (Falk, 2011, p. 329). It prepared Czech society for embracing values of the European Union engraved in Article 2 TEU which are human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities.⁴

3.2 Political society

Political parties and free, competitive elections are vital for the establishment of democratic rule in post-communist state systems. As mentioned in the introduction, due to the vast complexity of the topic, this thesis will focus on the democratic changes which took place until 2004. Therefore, in this Chapter, it won’t be possible to deal with the development of party and electoral systems until nowadays. Withal most of these changes had actually

⁴ Treaty on European Union, Article 2., Title I.

occurred before 2004 and the structure of party and electoral systems haven't changed significantly from 2004. The only substantial change was the introduction of direct elections for president in 2013.

After the era of political party monism, the Czech Republic faced with the establishment of political parties and free and fair elections. Under no circumstances, we could say this was an easy task. Political society was rebuilt from the ground up. For the decades citizens were exposed to only one source of ruling power which was disguised in the communist party. The Communist Party of Czechoslovakia was exceptionally inflexible since it suppressed any kind of pluralism and possible political alternatives. The political stalemate which troubled the Czech Republic was over at the end of 1989 and country was getting ready for the injection of political pluralism. Although the restructuring and reconstructing had started, there were many who seriously doubted in Central and Eastern European democracies criticizing both politicians for their incapability and lack of knowledge of citizens' preferences, as well as voters' vague preferences (Kitschelt et al., 1999, p. 80).

In line with its bureaucratic-authoritarian communist heritage, the Czech Republic adopted "a uniformly depersonalizing system of democratic rules with closed list proportional representation and the weak presidency." (Kitschelt, et al., 1999, pp. 108-109). Unlike, Poland which didn't set the threshold for parliamentary representation at the beginning of its transitional process, the Czech Republic introduced the mandate threshold of minimum 5 percent. (Olson, 1997, p. 184). The Constitution of the Czech Republic, adopted on December 16, 1992, in Articles 5 and 6 legally secures free and voluntary formation of a political system which is established on grounds of free competition between political parties and the basic democratic principles. Moreover, the rule of the majority, generated by free votes, is the main actor in decision- making process, but nevertheless final decision should be enacted in accordance with the protection of minorities.⁵

When it comes to the organizational structure of the most important legislative institution in the Czech Republic -the Parliament, we can say that it has is an ordinary bicameral structure. It consists of two chambers: lower chamber- the Chamber of Deputies

⁵ Constitution of the Czech Republic, Articles 5. and 6., Ch. 1.

and upper chamber- the Senate. The Chamber of Deputies consists of 200 representatives while Senate has 81 representatives. As stipulated in Article 18(1) of Constitution of the Czech Republic, elections for the Chamber of Deputies of the Parliament of the Czech Republic are organized every four years. Members are elected directly by universal adult suffrage in electoral constituencies by proportional representation. As laid down in Article 18(2) of the constitution, the Senate members are elected every six years in single-seat constituencies elected by two-round runoff voting with one -third of member renewed every two years. ⁶

In June 1990, after 44 years, the first, democratic and free elections were held in Czechoslovakia. According to David Olson, new party systems in Central Europe experienced three phases: unity, fragmentation, and consolidation (as cited in Leff Skalnik, 1996, p. 162). Civic Forum in Czech lands and its Slovakian counterpart Public Against Violence, emerged as absolute winners of the very first elections. As presented in Table 4. , Civic Forum became an uncontested winner in the Czech Republic, with 53.15 percent of votes with no other significant party threats on the horizon. However, the first elections' outcome hasn't provided us with a clear-cut and recognizable picture of the future shape of the party systems (Leff Skalnik, 1996, p. 100). At that time political party system was still in infancy, without distinct cleavages. Thus, this period could be considered as Olson's first phase which was unity of political parties. Relative unity was established due to the fact that the main goal was to topple down the old, communist regime. Hence, the programmatic formation of the parties developed more seriously and deeply after the regime change.

Playwright and previous leader of Charter 77, Vaclav Havel became president, but very soon distanced himself from Civic Forum. The Civic Forum wasn't a political party nor was it internally unified. It was comprised of members with various political and economic standpoints whose opinions started to become strikingly diverge. Furthermore, Kitschelt et al. (1999) claim that Havel, "inspired by anti-party conception of democracy", lacked the political support of political party behind him (p.109). Hence, under these

⁶ Constitution of the Czech Republic, Article 18., Ch. 2.

Table 4. Elections in the Czech Republic

| | June 1990 | | June 1992 | | June 1996 | |
|--|------------------|-------|------------------|-------|-------------------|-------|
| | Votes % | Seats | Votes % | Seats | Votes % | Seats |
| Civic Forum | 53.15 | 66 | | | | |
| Civic Movement (OH)/Free Democrats (SD), SD-LSNS | | | 4.60 | 0 | 2.05 | 0 |
| Civic Democratic Party (ODS) | | | 29.73 | 76 | 29.62 | 68 |
| Civic Democratic Alliance (ODA) | | | 5.93 | 14 | 6.36 | 13 |
| Left Bloc/ Communists (LB/ KSCM) | 13.48(KSCM) | 14 | 14.05(LB) | 35 | 10.33(KSM) | 22 |
| | | | | | 1.40(LB) | 0 |
| Czech Social Democrats (CSSD) | | | 6.53 | 16 | 26.44 | 61 |
| Liberal Social Union(LSU) | | | 6.52 | 16 | | |
| Christian Democratic Union/ People's Party (KDU-CSL) | 8.69 | 7 | 6.28 | 15 | 8.08 | 18 |
| Republican Party (SPR-RSC) | | | 5.98 | 14 | 8.01 | 18 |
| Movement for Local Democracy- Society for Moravia and Silesia (HSD-SMS) | 7.89 | 9 | 5.87 | 14 | 1.14 ^a | |
| Pensioners for Life Securities (DZJ) | | | | | 3.09 | 0 |
| Democratic Union | | | | | 2.80 | 0 |
| Other parties | | | 14.51 | 0 | 0.70 | 0 |
| | | | | | | |
| Effective number of parties | 3.18 | 1.89 | 7.69 | 4.80 | 5.33 | 4.14 |

Source: (Kischelt, Mansfeldova, Markowski, & Toka, 1999, p. 119)

circumstances, disintegration of Civic Forum appeared to be inevitable. Moreover, disintegration had a vast influence on further party developments in the Czech Republic.

If we turn back to Table 4., we can see that during the election in 1990, Communist Party of Bohemia and Moravia (KSČM), as The KSČ's most important successor party, didn't disappear from the political scene. In addition, KSČM gained solid 13.48 percent of votes and entered the Parliament with ten seats (Kitschelt et al.1999, p. 117). Generally, the communist parties in Central and Eastern Europe had been changing immensely while trying to accommodate to a new political environment. For instance, in Hungary communist parties transformed into the social democratic parties, while in Poland they were dissolved. In Slovakia, they merged with already existing ones. Only in the Czech Republic, despite Havel's efforts to outlaw the communist parties, did the orthodox KSČM cultivate and preserve the old Marxist doctrine of Communist ideology (Kirchcik, 2012). KSČM, rather classified as a non-democratic or protest party remained very dogmatic and nostalgic toward the old regime. Furthermore, in the subsequent elections KSČM, supported by a loyal group voters, remained stable. The 1990 elections just proved the existence of so-called "residual cleavage" (communism vs. anti-communism) in Czech party politics. As presented in Table 4. Christian Democratic Union/ People's Party (KDU-CSL) won only 8.69 percent of votes. Accordingly, another potential cleavage between church and state wasn't substantially visible since Czech society was highly secular. This religious cleavage remained intact and constant, but not significant in Czech party system (Hloušek & Kopeček, 2005, pp. 8-9). The turning point and definite departure from the leftist camp occurred when Vaclav Klaus, finance minister of interim government, used the advantage of aforementioned dissolution of Civic Forum to establish a new party - Civic Democratic Party (ODS). ODS, a liberal-conservative party, was founded on grounds of free-market approach and emphasized strong liberal market reforms (Kitschelt et al., 1999, p.120). Klaus swung political anchor to the center-right which marked the beginning of temporary primacy of liberal-democratic parties over the leftist ones. Hegemony of right-center liberal wing parties was additionally confirmed by the elections in 1992 when Klaus led a four-party coalition government of ODS, the Christian Democratic Party (KDS), the Christian and Democratic Union-Czechoslovak People's Party (KDU-CSL) and the Civic Democratic Alliance (ODA). ODS, as a leading party, wasn't playing on a card

of social protectionism of citizens nor it wanted a paternalistic “hand of government” to be evident (Večerník & Matějů, 1999, p. 183). Exactly this new epoch of clustering of political parties around salient issues could be considered as the beginning of Olson’s phase of the fragmentation of the party system.

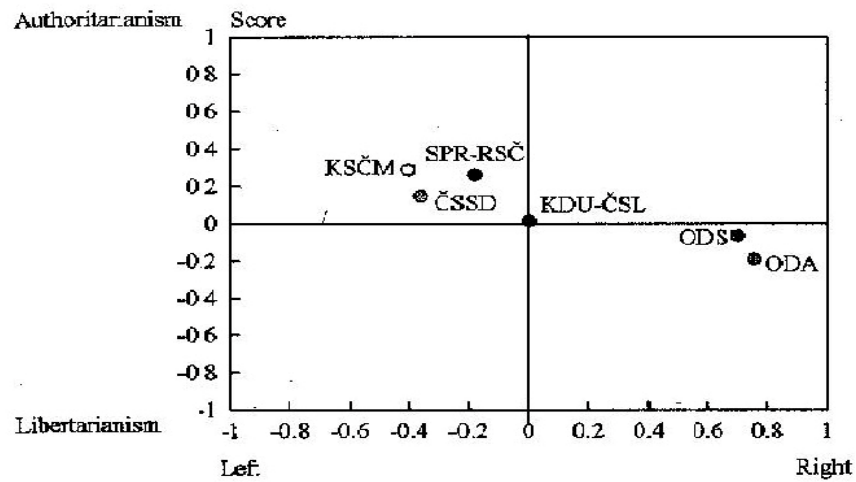
With a final dissolution of Czechoslovakia, Vaclav Havel became a president of the Czech Republic on January 26, 1993. As previously seen, center- right parties in the Czech Republic followed the path of free market reforms with economic transformations being central and important to their political agenda. This contributed to the formation of a more structured and clear left- right political spectrum in the Czech Republic. Complex political reality started to cluster around new experts on the right, the dissident based movement in the center, and the communist and ex-communists on the left side of political spectrum (Leff Skalnik, 1996, p. 101). Kitschelt et al. (1999) argued that based on theoretical considerations of post-bureaucratic authoritarian communism in the Czech Republic, it was predictable that both strong programmatic formation and competition would have occurred. More precisely, in the Czech case, powerful market-liberal parties developed thus, the greatest programmatic crystallization and highest polarization occurred right over salient economic issues. This caused robust party competition over the economic issues and consequently, the division to the left and right based on socio- economic cleavage (Kitschelt et al., 1999).

Still volatile and relatively fragmented, the party system in the Czech Republic was confronted with new elections in 1996 when center-left Czech Social Democratic Party ČSSD appeared as a major challenger to the perennial hegemony of Klaus’ center-right liberal camp (as seen in Figure 1). ČSSD, led by charismatic Miloš Zeman, emerged as the most popular opposition party propagating the mixed program of liberal democracy and social protectionism (Kitschelt et al., 1999, p.121). In the 1996 parliamentary elections, Klaus and his coalition partners won only 99 out 200 seats, while ČSSD seriously started to endanger ODS’s position and won 61 seats. One of the biggest surprises of the 1996 election was an extreme, radical right party Republican Party (SPR-RSČ) that won a quite solid support of 8.01 percent of votes. (as presented in Table 4.) Only one year after the elections, in the midst of economic crisis, Klaus’ government fell due to alleged corruption in his party. Consequently, ODS split into two parts: ODS and US. New elections were

scheduled for 1998(June) while in the meantime, a new interim, caretaker government was established consisting of US, ODA, and KDU-ČSL. In the new elections in 1998 ODS lost a significant group of voters who voted for US instead. Thus, ODS wasn't able to gain enough votes of support to establish the government. The only alternative was formation of "opposition agreement" that allowed the formation of the minority government of the ČSSD with the parliamentary support of the ODS. Nationalist- populist SPR-RSČ, a major surprise of 1996 elections, vanished from the political scene. The reason of this redistribution of votes lays in a fact that majority of SPR-RSČ voters were natural ČSSD voters who were attracted by SPR-RSČ'S populist, racist, anti-integration rhetoric in 1996 elections. Nevertheless, in 1998 ČSSD returned their support (Kitschelt et al., 1999, p.121; Večerník & Matějů, 1999, p.238). ČSSD-ODS opposition agreement continued to exist until the 2002 general elections.

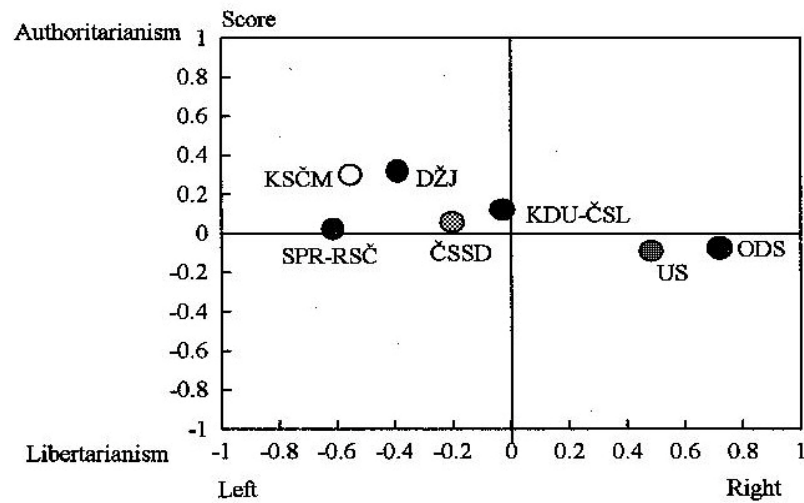
If we observe Figure 1. and Figure 2. ie. location of voters in the political sphere in time of elections in 1996 and 1998, we could notice an obvious development of an independent axiological cleavage. This implies that the division between liberal and authoritarian corresponds to socio-economic cleavage of the left and right (Hloušek & Kopeček, 2005, p. 11). Or as Večerník & Matějů affirmed(1999) libertarianism-authoritarianism axis is constructed by the usage of attitudes to socio- economic issues (p.266). As previously mentioned, the main polarization actually occurred around socio-economic issues. Thus, based on Figure 1. and Figure 2, we could notice that voters of the right-wing civic parties (ODS, ODA), were concentrated in right- liberalism quadrant. Conversely, ČSSD and KSČM, and SRP-RSČ were concentrated in leftist-authoritarian quadrant while KDU-ČSL kept central position. The situation in the 1998 elections slightly changed, but this is not so significant for the conclusion of this comparison. The conclusion which might be inferred from this is the confirmation of Kitschelt's hypothesis that economic liberalism is associated with political liberalism and economic paternalism with authoritarianism which is applicable both for voters and political parties (Večerník & Matějů, 1999, p. 268). If we return to the question of the salience of issues, we could say that political and cultural issues were less important, thus, parties were less polarized and competitive in these spheres (Kitschelt et al., 1999). The aim of these figures was to envisage to the reader the location of voters in important political parties in the two-

Figure 1. Location of voters in the political space defined by the two main axes in 1996(factor scores)



Source: ISSF-1996.

Figure 2. Location of voters in the political space defined by the two main axes in 1998(factor scores)



Source: Trends 4-98 (STEM).

Source: (Večerník & Matějů, 1999, p. 267)

dimensional space during the very important period for creation of Czech, stable political party system.

In the 2002 elections, ČSSD, under the leadership of a chairman Vladimír Špidla, won the majority and formed a coalition government with KDU-CSL and the Freedom Union-Democratic Union (US-DEU) (Freedom House, 2005). Moreover, in 2002, president of the Czech Republic, Václav Havel finished with his twofold mandate. Former Finance and Prime minister, Václav Klaus in 2003 became a new president. Having president from one party (ODS) while having the government formed by another party (ČSSD) only contributed to pluralist, mature, and consolidated Czech party system.

As the Czech Republic was getting closer to accession to the EU, Czech political parties were framing their attitude towards the EU accession. But firstly in June, 2003, an overwhelming majority of Czech citizens said “yes” on referendum about the Czech accession to the EU. However, the parties’ opinions toward the accession to the EU greatly differed. KSČM’s rhetoric was highly Eurosceptic and completely against EU integration. From their perspective, the Czech Republic should have withdrawn membership application interests (KSČM, 2005). Taking middle stance of soft Euroscepticism, ODS wasn’t against the EU membership as such, but rather against federal vision of the EU. Lastly, ČSSD, KDU-ČSL, US-DEU supported functional Europeanism in which they support further European integration until it serves state or party interests (Hloušek & Kopeček, 2005, pp. 13-14). However, pro-EU vs. non-EU cleavage was not so prominent and deep in Czech party politics.

To conclude, we could say that Czech political society until 2004 was quite consolidated and evolved into a more structured form. One of the three main preconditions for the EU accession, as set in Copenhagen criteria, is political stability. Political stability wouldn’t be possible without free and fair elections and structured and functional political party system. The situation additionally improved in 2002 when several amendments to electoral law were added and D’Hondt electoral formula was introduced (Hazan & Leyenaar, 2002, p. 182).

3.2.1 Political society in Slovakia

Meanwhile, party politics in Slovakia turned into relatively opposite direction. Due to the lower level of secularization and relative predominance of Catholic Church, Slovakia was faced with state-church cleavage from the beginning; thus, the main rivalry game occurred between civic movement PAV and the conservative- oriented Christian Democratic Movement (KDH) (Hloušek & Kopeček, 2005, p. 14). Political parties in Slovakia were mainly created around national cleavages, as well as around the question of preservation of national identity. After the disintegration of PAV in spring 1991, Vladimir Mečiar established the center, populist Movement for a Democratic Slovakia (HZDS) whose main political agenda was “defending Slovakia from disruptive economic reform and Pragocentrism” (Leff Skalnik, 1996, p. 102). Vladimir Mečiar portrayed himself as someone who was ready to take “paternalistic role” and preserve national identity of Slovaks. HZDS national conservatism was completely different from Czech center-right, liberal ODS. Mečiar’s HZDS combined nationalism with a reform program attractive to Slovaks. However, as Hloušek & Kopeček (2005) argue “HZDS started to act in the way which challenged the democratic game rules” (p.16). Formally, Slovakia was a parliamentary democracy, but in practice, it was more semi-authoritarian. Mečiar was a strong authoritarian figure who strengthened the powers of the presidency and impeded Slovakian consolidation of political society. Mečiar’s six years-long rule in Slovakia could be described as a really turbulent one, full of political and corruption scandals and controversies. During his rule, Mečiar survived several falls, however in 1998 election he won a “Pyrrhic victory.” Despite the fact he gained majority of votes, his HZDS wasn’t able to form a government. Eventually, the government was formed by SDK (Slovakian Democratic Coalition) (Fisher, 2006, p. 166).

Therefore, if we reflect on the Slovakian case, we could say that the Mečiar- Anti-Mečiar cleavage was the most conspicuous in Slovak party politics, unlike the Czech Republic where socio-economic cleavage was the most prominent. In addition, the Slovak party system was politically even more destabilizing since there has always been a national cleavage between Slovaks and Hungarian minority (Hloušek & Kopeček, 2005). The chances for stabilization and consolidation of democratic rule emerged with the erosion of

Mečiar's power and the establishment of a new party- Direction (Smer) ahead with Robert Fico in 1999.

3.3 Rule of law

“There's no way around it; the rule of law is back” is a famous quote by Vaclav Havel who stressed the importance of re-establishment of the rule of law as the foundations for the further democratic ventures (as cited in Přibán & Young, 1999, p. 1). The foundation for a genuinely functioning law-based state can be ascribed to a large extent to constitutionalism, as the skeleton of one state's democratic rule. Thus, constitutionalism as the primary organizing principle of Linz & Stepan's rule of law arena tends to safeguard that all powers of the state are concentrated and controlled by laws and norms enshrined in the constitution. With a rise of Fukuyama's idea of absolute victory of liberal democracy, liberal constitutionalism became a solid basis for the building Western- type liberal democracies. Liberal constitutionalism by definition makes a state a guarantor of a bundle of liberal and civil rights which are derived from principles of justice and outlined in the constitution (Přibán & Young, 1999, pp. 13-15). However, we should bear in mind that rule of law is not just a set of rules, but it also involves “a certain institutional culture, an overall approach to the functioning of legal and governmental institutions ” and “some assurance of a commitment of to those principles on the part of the state themselves” (Přibán & Young, 1999, p. 61). According to Peter Paczolay, with a transition to democracy in Central and Eastern Europe, creation of a new “democratic legal system” was essential. The creation of “democratic legal system” includes:

- a) Institutional- procedural component which entails completion of the criteria of a rule of law and constitutionalism
- b) Substantive component -which is the fulfillment of some basic democratic values, for example, liberty and equality (as cited in Krygier & Czarnota, 1999, p.110).

Hence, this Chapter will be devoted to the analysis of the reconstruction of the rule of law, covering both institutional-procedural component (constitutional changes), as well as substantive component.

If we return to a post-totalitarian era not only in Czechoslovakia but in whole CEE region, we could notice that constitutions were rather fictive, designed and adjusted to the unlimited role of the communist parties. As Hannah Arendt asserted, party and state acted as double authority and law was more a façade of political voluntarism (Arendt, 1962, p. ch. 12). Classical separation of powers, denied by Marxist-Leninist, was practically not incorporated into the Soviet-style constitutions. What was specific for the Soviet-style constitutions was the relatively “unified power structure” with the power monopoly concentrated in the Parliament. (Krygier & Czarnota, 1999, p. 118). Therefore, with the change of regime, restructuring of aforementioned “democratic legal system” commenced. Codification of liberal and democratic values, separation of powers, and strengthening of the executive branch were only some of the main tasks and preconditions for further progress of a democratic legal order. Drafting a new constitution and demolition of communist, restrictive heritage in it, wasn’t an easy task. The continuation of Soviet-style constitutions in a post-communist country block, including Czechoslovakia, appeared to be a normal phenomenon. What legislators did in the most cases at the beginning of law reforms, was the mere abolishment of provisions which referred to one party rule system, while adding new democratic and liberal provisions to the old constitutional framework. Another specificity of the constitutional systems of CEE countries was the fact that despite the constitutional division of powers, the supremacy of the Parliament remained (Krygier & Czarnota, 1999, pp. 116-122).

After this short description of the Soviet-type constitutions, the focus will be shifted to the rebuilding of the rule of law in the Czech Republic. The emergence of new political and economic structures required a legal democratic system to support them. However, Czechoslovakia didn’t change the constitution immediately after the collapse of the communist regime. Post-communist, Czechoslovak Federal Assembly adopted only a set of constitutional amendments. Therefore, we could say that “the old legal order remains valid within the framework of the amended constitution while its legitimacy rests upon the old constitution as well the old legal order” (Krygier & Czarnota, 1999, p. 116). As mentioned in Chapter 2.5 on the Velvet Divorce, debates about the future of the country started from the beginning of the democratic transition. While Czechs were more occupied with the creation of a long-awaited federal constitution, Slovaks had forestalled the Czechs

and created the Constitution of Slovak Republic which was adopted on September 1, 1992. Consequently, Czechs legislators didn't have enough time to draft the Czech Constitution which remarkably influenced wording and formulation of the Constitution itself (Přibán & Young, 1999, pp. 24-25).

The most important period which served as a source for modern Czech constitutional tradition was the period of the First Czechoslovak Republic (1918-1938). As Huntington (1996) claims, previous experience with democracy is just an advantage for one country at the beginning of the transition. In Czech case, right this democratic experience proved to be a source of legitimacy for the further development of Czech constitutional tradition. The Czechoslovak Constitutional Charter from 1920 was democratic and enormously influenced by the democratic constitutions of other European states. The 1920 Constitution was a guarantor of basic human rights and freedoms and it represented a solid foundation for further improvements of Czech democratic and constitutional tradition. The difference between the Czechoslovak Constitution from 1920 and the Czech Constitution from 1992 lays in a fact that latter is not neutral in its values (Přibán & Young, 1999, p. 27). The Constitutional Court delivered the first judgment on December 21, 1993, with the following opinion that "The Constitution of the Czech Republic is not founded on neutrality with regard to values", but more rather "it incorporates certain governing ideas, expressing the fundamental, inviolable values of democratic society."⁷ This judgment had great implications on the later development of legal order in the Czech Republic.

All in all, Czech Constitution conforms to the requirements of modern constitutionalism and represents an adequate basis for a law-based state. As proclaimed by Article 1 of the Constitution of the Czech Republic, "The Czech Republic is a sovereign, unitary, and democratic state governed by the rule of law, founded on respect for the rights and freedoms of man and of citizens."⁸ Therewith in the continuation of this Chapter, more detailed examination of other segments of Czech legal order will follow. Firstly, we will deal with the separation of powers given by the Constitution, as well as with the status of the Czech Republic's Charter of Fundamental Rights and Freedoms. Secondly, with the

⁷ Collection of Judgements and Resolutions of the Constitutional Court, Vol. 1, No.1. (as cited in Přibán & Young, 1999, p. 27)

⁸ Constitution of the Czech Republic, Article 1., Ch.1.

new Constitution, a multitude of laws came into force. Unfortunately, this thesis won't discuss all these laws, but rather some controversial laws such as lustration laws. Other significant laws like tax laws, laws on privatization and restitution will be analyzed under the framework of economic society arena to which they actually belong.

The legislative power of the Czech Republic is vested in the Czech Parliament (*Parlament České republiky*). The Czech Parliament, as mentioned in the political society arena, has a bicameral structure consisting of lower chamber- Chamber of Deputies (*Poslanecká sněmovna*) and upper chamber- Senate (*Senát*). With the introduction of a bicameral parliament in the Czech Republic, a role of the legislative branch is doubled. In the same manner, executive power is also more or less doubled between government and the president, as well as judicial power between the Constitutional Court and the general judiciary courts (Krygier & Czarnota, 1999, p. 119).

The Czech bicameralism has its roots in the 1920 Czechoslovak Constitution. In 1992, when the Czech Constitution had been crafted, the existence of Senate was under the question. The Czech National Council which performed the role of the Parliament of the Czech Republic in the federal Czechoslovakia was automatically transformed into the Chamber of Deputies of CR or lower chamber (as stipulated by Article 106(1) of Transitional and Final Provisions of the Czech Republic Constitution). According to Article 106(2) of the Constitution, the Senate's duties should be finalized by the Provisional Senate that should be put in the function by the Chamber of Deputies.⁹ Nevertheless, the constitutional law which should establish the Provisional Senate was not adopted by the Chamber of Deputies. Therefore, the Chamber of Deputies performed the role of Senate. The Senate was re-established in 1996, four years after the adoption of the Czech Constitution. (Kysela, n.d; Semihradská & Klazar, 2006).

The lower and the upper chamber of the Czech Parliament are asymmetric since the Senate has significantly weaker legislative powers than the Chamber of Deputies. The Chamber of Deputies is the main legislative and budgetary body, while the Senate has a role of correcting and controlling the legislation passed by the lower chamber. The legislative role of the Senate depends on the type of laws which are being adopted.

⁹ Constitution of the Czech Republic, Article 106., Ch.8.

Constitutional laws may be approved only if 3/5 of both lower and upper chambers of the Parliament express their consent, while electoral laws entail a simple majority or half of the votes in both chambers. In the ordinary legislative procedure, while dealing with other laws, the Senate can only amend or return the legislative act to the Chamber of Deputies. In addition, the Senate can be outvoted by the Chamber of Deputies (Kysela, n.d).

Executive power in the Czech Republic is shared between Government and the President of the CR. On the one hand, as stipulated in Article 67 (1), the Government is the highest executive body.¹⁰ However, according to Article 68(1), the Government is subordinated to Chamber of Deputies.¹¹ On the other hand, the Czech Republic has a tradition of highly influential presidents who have more power than given by the Constitution. Thus, the role of President in the Czech Republic is not purely ceremonial. Due to a strong and influential President, a role of the Government is diminished. Therefore, Government's cabinets are subordinated not only to the Chamber of Deputies but also to the President. This results in a fact that the President has more power than the Prime Minister. In the political science literature, this conflict is often denominated as a "problem of the dual executive" (Krygier & Czarnota, 1999, p. 123).

Judicial power in the Czech Republic, as mentioned above, is comprised of Constitutional Court and general courts. As set in Article 91 of the CR Constitution, court system of the Czech Republic is composed of the Supreme Court, the Supreme Administrative Court, superior, regional, and district courts.¹² The performance of these general courts will be analyzed in the arena of state bureaucracy in the next Chapter.

During the post-totalitarian era, the constitutional court that would have safeguarded human rights and freedoms was not welcomed. The role of the Constitutional Court was weakened and rather fictive. The Constitutional Court of the Czech Republic, as an independent part of the judicial branch, was established on June 15, 1993 (Přibán & Young, 1999, pp. 82-85). The Constitutional Court is often perceived as a guardian of the constitutionality (Přibán & Young, 1999, p. 28). Moreover, the role of the Constitutional

¹⁰ Constitution of the Czech Republic, Article 67 (1), Ch.3.

¹¹ Constitution of the Czech Republic, Article 68 (1), Ch.3.

¹² Constitution of the Czech Republic, Article 91., Ch.4.

Court is the protection of fundamental rights and freedoms (Přibán & Young, 1999, p. 82). Jurisdictions of the Constitutional Court, as laid down in Article 87(1), are not only the supervision of the constitution but also state bureaucracy, local governments, as well as the supervision of the harmonization between adopted laws and the constitution. We won't analyze in the detail rules and procedures of the CR Constitutional Court, but it is important to emphasize that constitutional complaint as a legal remedy of the individual may be submitted (as stipulated in Article 72 (1) a) of the Constitutional Court Act):

“by a natural or legal person, if she alleges that her fundamental rights and basic freedoms guaranteed in the constitutional order (hereinafter “constitutionally guaranteed fundamental rights and basic freedoms”) have been infringed as a result of the final decision in a proceeding of which she was a party, of a measure, or of some other encroachment by a public authority (hereinafter “action by a public authority”).”¹³

One of the main signs of a strong legal democratic system is the protection of fundamental rights and freedoms. Successful protection of already mentioned rights, by the constitution, may be considered as a relevant and challenging test for legislator-makers. Soviet-style constitutions used to embody a long list of fundamental rights, without respecting them actually in practice (Krygier & Czarnota, 1999, p. 126). Thus, in order to have a fully democratic society, both procedural and substantive component of the rule of law need to be fulfilled.

In Czech case, fundamental rights and freedoms are enshrined in the separate document named Charter of Fundamental Rights and Freedoms of the Czech Republic or Bill of the Basic Rights and Freedoms of the Czech Republic. The Charter was adopted by Federal Assembly of Czechoslovakia in 1991, however, after the dissolution of the federation, it remained as a single document of Czech constitutional order. Unlike the Czech Republic, in Slovakia the Charter was embedded directly in the Constitution. The European Convention on Human Rights, with its positivist approach of human and civil rights, greatly contributed to the creation of the Charter. With the coming into force of Article 10 of the Constitution, as of January 1, 1993, the Czech Republic was ready for

¹³ Constitutional Court Act set by Act No. 182/1993 Coll. On the Constitutional Court.

adaptation and ratification of international treaties by which the Czech Republic become directly bound (Přibán & Young, 1999, p. 48).

The Charter constitutes of six Chapters, covering a wide range of individual's rights and freedoms, from basic, fundamental rights and freedoms till the rights of judicial and other legal protection. However, after almost 50 years of non-democracy and deprivation of human rights, some time was necessary in order to restore the basic rights and norms to the society. Therefore, as Istvan Pogany explained "constitution making, the formal act of drafting or revising a constitution, does not lead automatically to constitutional transformation" (Pogany, 1996, p. 568). The substantive component needs some time to put roots down, as well as to be fostered and upgraded on the institutional-procedural component of the democratic legal system.

To conclude, the Czech Republic definitely fulfills Linz&Stepan's (1996) primary organizing principle of the rule of law: constitutionalism. The hierarchy of norms and legal culture is respected in arenas of both civil and political society (p.10). Furthermore, the Czech Republic managed to harmonize its laws with EU *acquis*. European Commission (2003) just one year before the accession confirms that "The translation and revision of *acquis* acts provided by the Czech authorities has been conducted efficiently and cooperation with the EU institutions has been smooth" (p. 15).

In the following Subchapter this thesis will deal with one of the most controversial and disputed laws in the Czech legal history: lustration laws. Lustration laws divided Czech public opinion and their legality is still under the question.

3.3.1 Lustration laws

A special Subchapter of the analysis of rule of law arena will be devoted to the succinct examination of highly controversial and according to many defective lustration laws. Lustration laws (lat. *lustratio*-purification by sacrifice) were a set of laws which were an inevitable part of legislative reforms of the majority of post-communist countries. The main aim of lustration laws was to purge state administration institutions and government apparatus from persons who were associated with the previous communist regime (Přibán

& Young, 1999, p. 56). Lustration laws or as Stephen Holmes (1994) calls them in his article *The End of Decommunization* “witch hunts”, required checking of person’s previous background in order to examine if the person under the suspect previously had ties with the ruling communist elite (p.33).

Lustration law entered the force on October 4, 1991, when the government enacted lustration on “person-by-person basis.” Lustration law stipulated three categories of collaborations: A, B and C depending on seriousness and type of collaboration (Krygier & Czarnota, 1999, p. 249). The fact which only contributes to the Czech’s sincere understanding of lustration was a situation when Czechoslovak Parliament had firstly lustrated itself and then adopted a law on lustration (Přibán & Young, 1999, p. 62). Purges in the post-communist state administration institutions were normal up to the certain extent, but the scope of lustration laws in the Czech Republic was wider. The Constitutional Court widened the scope of lustration by an annulment of the provision on general exclusion. Thus, respecting the principle of fairness, the law became valid for all that have been rehabilitated (Přibán & Young, 1999, p. 76).

From the beginning of lustration process, opinions about lustration greatly diverged. On the one hand, some people shared an opinion that lustration was highly necessary and essential for successful adaptation of western, liberal model of democracy. While others put more emphasize on the fact that laws on lustration were possibly linked to human rights abuses. Moreover, some people considered lustration a revenge of the previously oppressed (Přibán & Young, 1999, pp. 66-80).

The main point of this Subchapter is not to judge whether lustration laws were inappropriate or not, but rather to show how democracy had its own “weapons” to fight with transforming communist elites. Eventually, the Constitutional Court decided that “lustration was permissible and did not violate anyone’s human rights” (Přibán & Young, 1999, p. 78).

3.4 State bureaucracy

Max Weber, a world eminent sociologist, claimed that bureaucracies are an essential part of the modern world with their role of managing all vast administrative requirements which are imposed by social systems (as cited in Giddens, 2013, p. 826). Thus, having a “healthy” state apparatus which can assure certain rights to its citizens, as well as provide them with main services, can be considered as a basis for good democratic governance. According to Linz & Stepan(1996), state bureaucracy as such needs to be independent and usable by the democratic government. In addition, support from all four other arenas is crucial for the establishment of functioning state apparatus (pp. 11-14).

The collapse of communist government in 1989 triggered the restructuring and complete political overhaul in the Czech Republic. Institutional reforms were crucial for getting rid of obsolete communist bureaucratic structures and old, communist elites. Neither the mere adaptation of new democratic legal system nor the pure imitation of Western institutions in some cases (so- called “empty shells” institutions) were sufficient for an independent functioning of state apparatus. Bojan Bugarić nicely captured the problem of “empty shells” institutions in Central and Eastern Europe. Namely, he argued that:

“while the administrative structures in Central and Eastern Europe look, on the surface, similar to their Western counterparts, they operate very differently...National structures are strongly embedded in an national legal, political and cultural environment”(Bugarić, 2006, p.16-18).

National legal, political and cultural environment as well as suspicious organizational and individual behavior in the post-communist countries was something that was not always directly influenced by law and very hard to eradicate (Jancsics, Láštic, Solon-Lipiński, & Zelinger, 2012, p. 15). Despite all these hardships, the Czech Republic, instigated and motivated by EU accession negotiations, started to struggle with institutional reforms. The main precondition for the accession to the EU was harmonization of national laws with EU law standards (i.e. adoption of *acquis communautaire*). Thus, Czech state apparatus underwent a process of several institutional reforms and transposition of legal norms and rules in order to be harmonized with EU standards.

During the reign of communism, the distinction between political party and state apparatus was extremely blurry. Moreover, due to the extreme dependency of allocation of economic resources on central, administrative decisions, the corruption became endemic and normal (Sandholtz & Taagepera, 2005, p. 114). As Sandlots & Taagepera (2005) argued “The command economies of the communist era created structural incentives for both demanding and offering illicit private payments” (p.110). So undoubtedly, the Czech state bureaucracy was significantly infected by corruption during the communist era. However, it seemed that corruption practices back then were relatively acceptable and nobody used to talk about them openly. Thus, with the change of the regime, supported by market economy reforms, corruption only emerged to the public and became the biggest problem troubling post-communist society in transition.

First of all, we need to define what corruption actually is. A traditional definition of corruption coined by Transparency International (n.d.) is following “Corruption is the abuse of entrusted power for private gain.” According to Pedersen & Johannsen (2006), corruption can be divided into three categories: petty corruption, administrative malpractice, and grand corruption. Grand corruption, is the most notorious one and it occurs when democratically elected politicians became informally included in actions of private actors who manage to change procedures of voting or law-making according to their interests. Consequences of grand corruption are very harmful for democratic consolidation since it undermines newly-emerged democratic political system (pp.317-318). With the structural change of the whole system, still incomplete and undeveloped system of state administration was a perfectly fertile ground for the further development of corruption. Corruption, as a “deeply rooted malignancy” of the Czech post-communist society, affected almost every level of state administration, from the lower level officials to the top level officials and politicians (Jordan, 2002). So if we are speaking about impediments in the arena of state bureaucracy in the Czech Republic, it is inevitable to define them in terms of corruption.

In this Chapter, NIS (National Integrity System) assessment approach will be used in order to set groundwork for efficiency in preventing and combating corruption in state apparatus. The NIS is a comprehensive approach developed by Transparency International that consists of 13 institutions presented in Table 5. below. These 13 institutions, divided

into three pillars, are key for the analysis of well-integrity system and anti-corruption measures of one state (Jancsics et al., 2012, p. 13). Under the analysis of state bureaucracy arena in this Chapter, we will analyze pillars of the government and public sector with the focus on the strengths and weaknesses within each pillar. Non-governmental pillar won't be analyzed since as its name suggests is not part of the state bureaucratic structure.

Table 5. *The National Integrity System (NIS) pillars*

| Government | Public sector | Non-governmental |
|--------------------|-----------------------------------|--------------------------|
| Legislature | Public Administration | Media |
| Executive | Law Enforcement Agencies | Civil Society |
| Judiciary | (Prosecution)¹⁴ | Political Parties |
| | Supreme Audit Institutions | Business |
| | Electoral Management Body | |
| | Ombudsman | |
| | Anti-corruption Agencies | |

Source: (Jancsics et al., 2012, p.13)

3.4.1 Government

The governmental structure consists of legislative, executive and judiciary branch which are interdependent on each other and function jointly. The Czech legislative branch, as part of a democratic legal order, was profoundly analyzed under the arena of a rule of law. Therefore, this Subchapter will focus on an analysis of executive and judiciary branch as a governmental part of state bureaucracy arena in the Czech Republic.

¹⁴ In the Czech and Slovak NIS studies Prosecution is assessed as a pillar separated from the Law Enforcement Agencies.

During the communist governance in the Czech Republic, state executive power was extremely centralized and dependent exclusively on the communist party. However, solid democratic governance entails decentralization and it is most efficient when it is practiced on the local or regional level. As Illner (2011) pointed out “territorial self-government is an expression of the right of population living in a territory to manage independently the territorial affairs within the scope defined in the constitution and legislation” (p.510). Thus, the unitary state Czech Republic from the beginning of 1993 had been engaged in debates over the strengthening regional governance and new administrative division of its territory. In December 1997, Czech Parliament approved the Constitutional Act on the Creation of Higher Territorial Self-Governing Units (European Commission, 1998, p.8). The process of the decentralization of Czech territorial administration was successfully completed with the abolishment of the 73 districts as of January 1, 2003. The Czech Republic became divided into 205 municipalities with extended competencies which are the basic self-governing units and 14 regions (more precisely 13 regions and the capital, Prague having a status of the region) which are the higher self-governing units. With this act, newly established regions, as well as municipalities obtained several competencies mostly in areas of education, health care, environment etc. (European Commission, 2003, p.11).

According to Article 68 of the Constitution of the Czech Republic, the Government is the supreme organ of executive power consisting of the Prime Minister, Deputy Prime Minister, and Ministers. ¹⁵As previously mentioned, cabinets (15 of them altogether) have rather a weak position since they are subordinated both to the Chamber of Deputies and the President. But nevertheless, the focus of this Subchapter won't be on structural analysis of cabinets, but rather on strengths and weaknesses of both Czech Government and judiciary system in general.

The biggest weakness of the central executive Czech Government is certainly corruption. During the 90s, Czech Government was shaken by several corruption scandals and political affairs. Czech high-ranking politicians were quite often the main actors of grand corruption scandals, illegal privatization, and other frauds. We will only mention

¹⁵ Constitution of the Czech Republic, Article 68., Ch.3.

some of them. In 1997, Vaclav Klaus, back then the Prime Minister and leader of ODS, found himself in the middle of a political affair. Namely, Klaus ahead of his ODS was accused of receiving of allegedly illegal donations for party financing from anonymous funds. This strongly influenced on the political stability of the government and tarnished ODS reputation. Several ministers resigned and urged Vaclav Klaus to submit his resignation which resulted in a final collapse of Klaus' government.¹⁶ Besides this political affair, corruption scandals like Bamberg affair (*bamberská aféra*), *aféra Český dům* and *Zemanův kufřík* were only some cases of high-level corruption in which elected and senior public officials were involved.

The judiciary system, as a part of the arena of state bureaucracy, consists of the Supreme Court, the Supreme Administrative Court and supreme, regional and district courts in general. The Constitutional Court, discussed under the arena of the rule of law, has its specific jurisdiction and does not belong to the system of ordinary courts. (as stipulated in Article 87 of the Constitution of the Czech Republic)¹⁷ In this part, judiciary system will be analyzed more generally, without individual examination of specific functions of each court. Moreover, the NIS approach proposes separate analysis the public prosecution and the courts of justice due to a difference in their performances. Another reason for the separate analysis is the fact that public prosecution in the Czech Republic is formally part of the executive branch, rather than part of the judiciary (Jancsics et al., 2012, p.18). Therefore, the public prosecution will be analyzed under the public sector.

One of the biggest improvements in the judiciary is the establishment of the Supreme Court (in January 2003), as the highest instance judicial body, as specified in the Article 92 of the Constitution.¹⁸ The Supreme Court controls final decisions of the other High Courts and safeguards equal interpretation of the law by aforementioned Courts and other district courts (DPADM & DESA, 2004, p. 6).

¹⁶ Česka televize (2009, November 28), *Tzv. „sarajevský atentát“ odstartoval zatím největší politickou krizi v ČR*. Retrived from: <http://www.ceskatelevize.cz/ct24/archiv/1432352-tzv-sarajevsky-atentat-odstartoval-zatim-nejvetsi-politickou-krizi-v-cr>.

¹⁷ Constitution of the Czech Republic, Article 87. , Ch.4.

¹⁸ Constitution of the Czech Republic, Article 92. , Ch.4.

The greatest “virtue” of judiciary system of each country is its independence from political influences. The Czech judicial system in 2004 was still vulnerable due to the fact that judges were nominated by the Ministry of Justice and then appointed by the president. Consequently, this leaves some space for possible political interferences (Semihradská & Klazar, 2006, p. 354). Furthermore, all judges, excluding the Constitutional Court judges, were allowed to be a part of political parties or movements (European Commission, 2003, p. 12). However, the Act on Courts and Judges which entered into force in April 2002, could be considered as a clear step toward the more self-governed judiciary which would considerably lower political influence over the judicial system. In addition, a creation of Judicial Councils and Judicial Academy strengthened both quality of judicial services and the independence of the judiciary in the Czech Republic in general (European Commission, 2003, p.12).

Judges’ remunerations, as regulated by the special law, were higher than those of civil servants. But the difficulty which appears in the Czech judicial system is that judiciary constantly has been understaffed. In May 2003, the capacity of Czech judicial system was 3043 of judges while only 2633 judges’ positions remained filled (European Commission, 2003, p. 12). According to Semihradská & Klazar (2006), due to the shortage of not only judges but also administrative and technical support average length stood at district courts was 592 days. Nevertheless, the situation regarding the efficiency of the civil judgments enforcements visibly improved in 2001 with the establishment of the Chamber of Judicial Executors under the Act on Private Bailiffs (pp. 354-355).

When it comes to citizens’ access to courts, European Commission (2003) reported that “access to justice is satisfactory”, but pointed that citizens are not aware of their entitlements (p.13). Furthermore, one improvement is that citizens are also protected against potentially biased and malicious courts’ decision-making by the procedural regulation of civil criminal and administrative proceedings (Jancsics et al.,2012, p.41).

3.4.2 Public sector

The public sector covers a wide range of institutions whose main aim is providing different governmental services to its citizens.

Public administration together with prosecution could be considered as the weakest institutions in the Czech Republic, as assessed by Visegrad Integrity System Study (Jancsics et al., 2012, p.15). The main flaw of the public administration sector is the fact that it is over-politicized. For instance, high official public servants in the majority of cases were chosen exactly by the politicians. Moreover, inadequately educated public servants and relatively low remunerations were an additional burden in the state administration (European Commission, 2003, p.11). All these factors contributed to development of the corruption. Public administration employees are mostly susceptible to petty corruption ranging from day-to-day corruption of lower public officials till administration malpractice of higher officials (Semihradská & Klazar, 2006, p. 318).

However, notable progress had been made with the introduction of the comprehensive Civil Service Act in May 2002 whose implementation started in 2004. This Act aims at improving professional standards of the officials in central state administration offices making them more independent, stable, liable etc. The Civil Service Act guarantees more transparency as well as merit-based recruitment policy. Furthermore, this Act establishes a new salary system for public servants which is based on both 12 different salary grades and classes (DPADM & DESA, 2004, pp.10-11).

Public prosecution is another weak link of the public sector as evaluated by Visegrad Integrity System Study. Great political interferences and hierarchical and non-transparent structure make public prosecution organ in the Czech Republic still very weak and vulnerable to corruption (Jancsics et al., 2012, p.15).

The organizational structure of public prosecution is susceptible to direct political influences since the Prosecutor General is nominated by the Minister of Justice and selected by the government. The Prosecutor General can be also removed by the government on the Minister's proposal without special, explicit reasons. The Minister of Justice jointly with the Prosecutor General has the authorization to remove lower-level prosecutors. In the same light, lower-level persecutors need to abide possible instructions in regards to individual cases given by their higher-level prosecutors. Moreover, higher-level public prosecutors have a right to drop out individual cases from lower public prosecutors. All these aforementioned factors strikingly undermine prosecutors' independence which

resulted in no judgments of severe corruption cases from the beginning of the 90s (Jancsics et al., 2012, p.19).

What additionally burdens the prosecution organ is the shortage of prosecutors combined with their insufficient educational qualifications. In 2003, European Commission (2003) reported 971 prosecutors' places being filled out of 1250 prosecutors which were required (p.12). The positive side of the public prosecution organ was the fact that the Supreme Public Prosecutor's Office had been assigned a role of anti-fraud coordinating service (AFCOS) under the auspices of European Anti-Fraud Office (OLAF) (European Commission, 2003, p.51).

Public procurement in the Czech Republic, as a mediator between a private business sector and state institution system, should be more transparent and less prone to corruption (Jancsics et al., 2012, p.68). However, improvements were to be introduced with the Act No. 137/2006 Coll. Government Procurement which was finally adopted in 2006.¹⁹

Law enforcement agencies, more precisely police, continued to be labeled as oppressive part of public sector due to its reputation gained in communist era (Lizal & Kočenda, 2000, p. 5). Nevertheless, as the European Commission (2003) reported, Ministry of Interior was engaged in various actions to fight against fraud and corruption. Moreover, Ministry was working on adequate training of police stuff and adaptation of police Code of Ethics (p.46).

The positive side of the public sector in the Czech Republic is definitely watchdog institutions: the Supreme Audit Office (SAO) and Ombudsman. Both Ombudsman and the SAO are state institutions that are functioning in a transparent way (Jancsics et al., 2012, p.49). SAO is the most efficient body in fighting against corruption that audits and rediscovers possible deficiencies and misconducts in the public sector. The reason why the Czech Supreme Audit Office is efficient may be owned to the fact that it has "sufficient powers, financial means and human resources to exercise." In addition, the SAO is

¹⁹ Act No. 137/2006 Coll. Government Procurement.

extremely careful and demanding in the selection procedure of its employees (Jancsics et al., 2012, p.40).

The Ombudsmen's Office was created by the Act on Public Protector of Rights in November 2004. The role of Ombudsman is protection and counseling of citizens who think that they experienced some kind of discrimination or injustice committed by state institutions (DPADM & DESA, 2004, p. 8).

To conclude, the Czech state apparatus is to the great extent independent and functions on the basis of "democratically sanctioned laws and procedures established by political society" (Linz & Stepan, 1996, p. 14). However, more aggressive anti-corruption campaign, reducing political influences and more transparency in public sector are key recommendations for improvements in the arena of state bureaucracy (Jancsics et al., 2012, p.68).

3.5 Economic society

"The worst thing about Communism is what comes after" (as cited in Judt, 2005, p.665) is a famous quote by Adam Michnik, distinguished Polish essayist, and former dissident, who acknowledged possible difficulties which might appear as a consequence of the process of transition. In Schumpeterian terms, this could be described as a "creative destruction" (Schumpeter, 1976). "Creative destruction" denotes a continuous process of destruction of one economic structure on which new economic structure is created. What occurred in Central and Eastern Europe after 1989 could be certainly interpreted as a "creative destruction." Namely, with a definite fall of the communist realm, Fukuyama's prophecy of the final victory of capitalism was about to be fulfilled. The former socialist countries were ready to start the building of new capitalist market structure on the ruins of their dysfunctional socialist, central planned economies.

The aim of this Chapter is to analyze the last arena of consolidated democracy puzzle which is economic society. Linz & Stepan (1996) asserted that consolidated democracy would hardly ever exist in a command economy or in the pure economy. What is considered to be an optimal solution is the economic society that "mediates between state

and market” (p. 11). Or in other terms, solution could be found somewhere in between of Adam Smith’s metaphor “invisible hand of market” and “visible hand of government.” In order to have fully functioning economic society with the institutionalized market as a guiding principle of organization, one country needs support from other arenas as well. A democratic legal system created by political society and recognized by civil society, and administered by state bureaucracy are supportive preconditions for the development of “healthy” economic society (Linz & Stepan, 1996, p. 14).

The Soviet model of centrally planned economy in Czechoslovakia was introduced at the beginning of a rule of the Communist Party of Czechoslovakia in 1948. With the nationalization of property, collectivization of agriculture and abolishment of private enterprises, state significantly increased its interferences over the whole economy. After a very short time, five years plans and excessive state involvement in the overall economy showed to be very inefficient for Czechoslovakia. Chances for potential economic reforms emerged at the beginning of the 60s with a new, leader Alexander Dubček. Nevertheless, the attempt to loosen the regime and introduce a set of economic and political reforms was suppressed by the Soviet Union during the Prague Spring in 1968. What followed is a complete hypertrophy of the economy which lasted until the beginning of transition to the democracy in 1989 (Gregory & Stuart, 1999, pp. 468-469).

Both political and economic reforms went hand in hand in Czechoslovakia, as well as in the other countries of Central and Eastern Europe. The initial conditions for the launching new economic reforms in Czechoslovakia were contradictory and uncertain. On the one hand, Czechoslovakia didn’t experience Gorbachev’s *perestroika* reforms unlike Poland and Hungary where partial economic liberalization reforms had been initiated already far before the 90s. Thus, the private sector in Czechoslovakia was almost non-existent until the beginning of privatization in the 90s. An additional burden for the Czech economy was the fact that together with other socialist countries, the Czech Republic (back then Czechoslovakia) was part of the Soviet economic integration organization, Council for Mutual Economic Cooperation (COMECON) which restricted and numbed Czech’s trade potentials (Dlouhý, 2001, p. 175). Just for the illustration, almost three-quarters of the foreign trade of Czechoslovakia was oriented exactly toward the COMECON (Berend, 2009, p. 55). On the other hand, Czechoslovakia had several factors which were very

favorable for the transition to market economy. Stable macroeconomic factors such as relatively low foreign debt and hidden inflation were the main bright spots of the Czech economy. Furthermore, the Czech Republic was regarded as a country with highly educated workers and a strong industrial tradition (Dlouhý, 2001, p. 175).

Shock Therapy and Gradualism were two schools of thought that were main actors of the economic transition debate in Central and Eastern Europe from the beginning of the 90s. According to Svejnar, shock therapy or “bing-bang” style reforms were concentrated on rapid “macrostabilization, price liberalization and dismantling the institutions of the communist systems” (Svejnar, 2002, p. 5). Shock therapy included swift, almost “overnight” implementation of deregulation, macroeconomic stabilization, marketization and privatization reforms. Western experts such as David Lipton, Andres Åslund, and Jeffrey Sachs were the main proponents of the neoliberal, Washington prescription which was imbued with swift “bing-bang” approach policy. Conversely, gradualist approach included more gradual and slower pace of reforms, as well as cautious liberalization. In Svejnar’s terms gradualism involved “the development and enforcement of laws, regulations, and institutions that would ensure a successful market-oriented economy” (Svejnar, 2002, p. 5).

The Czech Republic was one of the countries that wholeheartedly embraced shock therapy approach and after some short time gained an epithet of successful of quick transforming economy, favored by many politicians and theorists and foreign investors (Dlouhý, 2001). While in other countries of the region enthusiasm toward market reforms quickly declined and was replaced either by nationalists or left-wing propagators, the Czech Republic was one of the socialist states where right-wing neo-liberal stream staunchly dominated for a longer period of time. The most important figure for the formation of the economic transformation policy of the Czechoslovakia was a minister of finance and later the first Czech Prime Minister, Vaclav Klaus. Klaus was an advocate of *Laissez-faire* principle and deregulatory policies and he quite often used Thatcher neo-liberal rhetoric as his main weapon. Moreover, he wanted a clear-cut break with the communist, centrally-planned economies and he truly believed that fast and painful transition was a better option. Klaus was devoted to the idea of fully functioning market economy or as he called it “market without adjectives” (Leff Skalinik, 1996, p. 180). He didn’t want to accept

comprise of a mixed-economy. As Berned (2009) asserts, new political elite clearly believed in Western, capitalist economy, and Vaclav Klaus even several times pointed out on the map that Prague is geographically more Western than Vienna (p.50).

According to Vladimír Dlouhý (2001), Czechoslovak Minister of Economy from 1990-1992, Czech economic reform policy was founded on three main pillars:

1. privatization and restitution
2. swift systematic changes (price and trade liberalization, tax reforms, opening of free trade etc.)
3. macroeconomic stabilization which include managing inflation, unemployment, establishing new exchange rate system etc. (p.176).

Systematic changes, macroeconomic stabilization, and privatization will be used in order to analyze the economic society in the Czech Republic more systematically. Due to a quite long time span (1989-2004), this thesis won't be able to capture all trends and fluctuations in the Czech economy. The main purpose of this Chapter is rather to explain crucial changes which occurred during the transition to the market economy and to prove that the Czech Republic fulfills all criteria of Linz & Stepan's economic society.

3.5.1 Privatization and restitution

Capitalism does not exist without private property. Therefore, with the regime change one of the most controversial topics on the economic agenda was the privatization of a state economy. Nevertheless, the first and essential step for the establishment of the free market economy was the restitution of properties from the state to individuals.

During the communist leadership, private ownership was abolished. The communist authorities confiscated all private ownership from its citizens without additional compensation. With the fall of regime, the question of restitution of property to its original owners emerged. The issue of restitution became highly controversial since it caused confusion around the fact of to whom the property should be returned (Leff Skalinik, 1996, p. 189). The Czechoslovak government favored the idea that the property should be returned only to the citizens or their descendants that experienced restitution

after the beginning of communist regime in 1948. Communist authorities were afraid of possible German demands for restitution of their property if they had set an earlier time boundary. Thus, in the first phase, “the subject to restitution were property injustices and confiscations done by the hard-line communist regime which occurred on February 25, 1948 to January 1, 1990” (Gloss, n.d.). Special controversy appeared around the restitution of property to churches and to Jewish Holocaust survivors in Czechoslovakia for property that was taken over by Nazis in World War II. In the second phase in May 1994, law on the restitution was amended and included the right of restitution to Jewish families. When it comes to restitution of property to religious organizations, churches, as the main owners of the forests and fields in pre-communist era, got the right to restore their property for religious uses in 1991 (Leff Skalinik, 1996, p. 190). The biggest amount of property was denationalized and restituted to private owners in period from 1990-1991 in total amount of 200 billion crowns (European Commission, 2013).

The Czech Republic was the country that pioneered in the fast privatization of the state economy. Rapid privatizations signalized “a capitalist revolution” which allowed the establishment of a market economy with a free enterprise as the main actor (Večerník & Matějů, 1999, p. 70). As aforementioned, Poland and Hungary had already privatized substantial part of their economies before 1989, while in Czechoslovakia in 1989 more than 95 percent of the state economy was still based on state economy (Leff Skalinik, 1996, p. 189).

Privatization in the Czech Republic started with so-called “small privatization” of small economic undertakings such as restaurants and shops through public auctions opened exclusively to Czech buyers (European Commission, 2013). Another method of privatization, intended for the privatization of state-owned, large-scale companies in the Czech Republic, was “coupon” or voucher privatization introduced by law in February 1991. The Czech “bing-bang” approach to a voucher privatization was quick and relatively easy solution which occurred in two rounds: the first one finished in 1992 and the second one in 1994 (Berend, 2009, pp. 62-63). A mechanism of voucher distribution was following. Each Czech citizen who was older than 18 years had a right to buy a voucher at a nominal price fee which he could exchange for the shares of state companies (Leff Skalinik, 1996, p. 192). A citizen had an opportunity either to keep a share in a new, private

enterprise or to sell their shares for money to privatization investment funds. Nevertheless, laws on the establishment of privatization investment funds were very liberal and permitted anyone to establish a privatization fund (European Commission, 2013). This made a fruitful ground for the various privatization frauds and malversations. For instance, one of the biggest scams was scams committed by Viktor Kožený so-called “*piráta z Prahy*.” (the pirate of Prague) Namely, Kožený established his investment fund named Harvard Capital and Consulting. Thousands and thousands of citizens entrusted vouchers to his fund backed by his promise that their vouchers would be redeemed later for a higher price. However, this turned to be a deception and Kožený and his loyalists transferred the money from the fund to the accounts on Bahamas (Novotný, 2015).

The banking sector in the Czech Republic wasn't privatized at the beginning. Banks used to control the majority of the investment funds which used to own many large and medium enterprises. Accordingly, these enterprises stayed under the control of state which turned to be a big mistake since goals of these actors greatly diverged and didn't cause the reorganization in the economy (Berend, 2009, p. 63; Dlouhý, 2001, p.182). Banking predominance in the private sector abated with the privatization of banking sector that had started in 1998. The bank privatization finished in 2001 together with other big privatizations (e.g. telecommunication and gas sector privatizations) (Berend, 2009, p. 64).

3.5.2 Systematic changes

An essential precondition for the establishment of the market economy was the elimination of fixed prices set by the state. Price liberalization in Czechoslovakia was introduced immediately in 1990 (Berend, 2009, p. 53). With the abolishment of fixed prices, prices were mostly determined by the real production costs and were in line with supply and demand of the market. However, extreme and sudden deregulation and liberalization of prices might represent a huge financial shock for the population. Thus, the Czech Republic continued to marginally control prices in several areas such as housing, healthcare, education etc. (Czech National Bank, 2003). Nevertheless, price regulation didn't meet equal reception among population. Namely, price regulation were criticized from the side of self-employed and higher professionals whose wages directly came from the market economy. On the contrary, government price regulation was welcomed by pensioners since

their incomes depend on state redistribution (Večerník & Matějů, 1999, p. 197). As the Czech National Bank (2003) reports by 2001-2002 “the overwhelming majority of regulated prices had been aligned.”²⁰ Together with deregulation of prices, new regulatory laws on bankruptcy, competition, mortgages etc. were also essential for the proper functioning of the market economy in the Czech Republic. However, laws on creditor protection and appropriate bankruptcy management were adopted only in 2000 (Berend, 2009, pp. 56-57).

As previously mentioned, the majority of Czechoslovak trade before 1989 was within the framework of COMECON. With a transition to market economy, it was highly necessary for the Czech Republic to open its market. Therefore, the Czech Republic became a member of the World Trade Organization (WTO) in December 1994. In April 1993, the Czech Republic acceded to the General Agreement on Tariffs and Trade (GATT). WTO in 1996 reported that “The current trade policy is based on the principles of market economy, free competition and respect for international rules and principles as embodied in the WTO Agreement” (World Trade Organization, 1996). In addition, the Czech Republic has been also a member of several, regional trade agreements. More precisely, Czechs concluded The Europe Agreement on Association between the European Communities in 1995. This agreement represented transitional economic framework (agreement lasted for 10 years) whose main aim was to prepare the Czech Republic for the future integration to the European Union, as well as to eliminate tariff duties and barriers within the trade in the Union. The Czech Republic also signed the European Free Trade Agreement (EFTA) in April 1993. The main aim of this agreement is to establish free trade regime in the transitional period until 2002. Moreover, the Czech Republic signed Central European Free Trade Agreement (CEFTA), as well as many other bilateral agreements with other countries (World Trade Organization, 1996).

The Czech Republic also became a beneficiary of Poland and Hungary: Assistance for Restructuring their Economies (PHARE) which was launched from the side of the

²⁰ Czech National Bank (April, 2003), *Price deregulation in the period of transformation of the Czech economy*. Retrieved from: https://www.cnb.cz/en/monetary_policy/inflation_reports/2003/2003_april/boxes_annexes/zpinflace_03_april_b2.html.

European Commission as a pre-accession instrument for the financial support. This financial assistance was originally intended to Poland and Hungary, however, the Czech Republic got an access to this pre-accession instrument in 1993.²¹

A new system of direct and indirect taxes (value-added taxes) in the Czech Republic legally entered into the force in 1993. The Czech tax system, established “with the aim of making redistributive flows more transparent, “became highly comparable and adjusted to the tax system of Western European countries (Večerník & Matějů, 1999, p. 146). Direct taxes are paid to the government directly and they can be classified as 1) the income taxes that are paid by the legal or natural person; 2) real estate taxes; 3) road taxes. On the contrary, VAT taxes are paid indirectly for the goods or services provided. VAT taxes can be calculated on the basis of standard or reduced rate. ²²Tax system is constantly being amended and it very hard to understand all these changes.

The healthcare system also went through the process of systematic reforms after 1989. General Health Insurance Act (1991), the Act on the General Health Insurance Fund (1991), and the Act on Departmental, Health systems in transition Czech Republic Professional, Corporate, and Other Health Insurance Funds (1992) were set of laws enacted which established statutory health insurance model(SHI). SHI model consists of “number of quasipublic, self-governing health insurance funds acting as payers and purchasers of care, financed through mandatory, wage-based contributions” (Alexa, et al., 2015, p. 20). SHI model stipulates that every citizen is obliged to have health insurance. Furthermore, this system ensures that government pays the contribution for the unemployed, the elder people, and children under 18. Motivation to introduce a competition among health insurances existed, thus, in 2004, there were 9 health insurance houses. *Všeobecná zdravotní pojišťovna České republiky (VZP)* covered 70 percent of both citizens and the private insurances’ activities (CERGE-EI, 2004, p. 39). However, the European

²¹ Council Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to the Republic of Hungary and the Polish People's Republic. Retrieved from: <http://eur-lex.europa.eu/legal-content/CS/TXT/?uri=URISERV%3Ae50004>.

²² Act No. 586/1992 Coll. On Income Taxes

Commission (2003) reported that “A deeper and a more comprehensive reform affecting the social benefits and the pension system and healthcare is needed” (p.53).

Previously mentioned pension reforms were also part of the systematic changes that came with the change regime in 1989. With ODS victory in 1992, social-liberal version of the reforms of the pension and health system which emphasized more universal benefits and overall generous approach was abandoned. Vaclav Klaus envisaged more neo-liberal version of the pension reforms (Orenstein, 1995, p. 186). Law on the new pension system was enacted in 1996. With this law Czech pension system was reformed and consisted of two main pillars. The first one is mandatory basic pension insurance which is defined by pay-as-you-go (PAYG) benefit pension plan. The second, marginal pillar is not mandatory and it is defined by the contribution of extra pension insurance (CERGE-EI, 2004, p. 37).

3.5.3 Macroeconomic stabilization

Under the pillar of macroeconomic stabilization in this Subchapter, we are going to analyze following indicators: Gross Domestic Product (GDP), inflation, unemployment and monetary policy in the Czech Republic.

Reforms and macroeconomic trends in the Czech Republic from 1990 to 2004 could be divided into three periods:

- 1990-1995, when the Czech Republic successfully made its first steps toward the reforms (Dlouhý, 2001, p.189)
- 1995-2000, when the reforms stagnated, and a serious crisis shattered the Czech Republic in spring 1997
- 2000- 2004, when the economy started to grow and gradually recovered from the 1997 crisis

In the period from 1990-1994, the Czech Republic managed to survive with relatively low inflation, as well as with low rate of unemployment (as we can see in Table 6. which gives us an overview of three basic indicators of macroeconomic stabilization in the period from 1990 to 1995). Inflation initially galloped to 56.6 percent, but it declined already in 1992 to 12.7 percent. The unemployment in the period from 1990 until 1994

rose in comparison to pre-1989 situation when it almost didn't exist, but it never reached 5 percent. GDP declined in the period from 1990 to 1991 by almost 15 percent. (as seen in Table 6.) In 1990, fixed exchange rate (or system pegged to other currencies) was introduced as a nominal anchor which would lead to macroeconomic stabilization of fluctuated economy in transition. The fixed exchange rate with plenty of other factors destabilized the economy and caused economic crisis later in 1997. Vaclav Klaus (2006) later claimed that "In 1990 the fixed exchange rate was a key element in the stabilization of our economy."²³ Despite negative shock which was caused by the Velvet divorce and initial transitional recession, this was the period when the Czech Republic was the most efficient in its reforms and actually emerged as a developing market economy (CERGE-EI, 2003, 5). Already in 1994 due to macroeconomic stability, a solid share of private in GDP, and the huge interest of the foreign direct investors, the Czech Republic was considered as a country that was already behind the majority of transformation reforms (Dlouhý, 2001, p. 179). On the other side, the initial situation in Slovakia was worse than in the Czech Republic. Nevertheless, Slovaks' unemployment and inflation rates were even lower than rates in the other post-communist countries (Leff Skalinik, 1996, p. 188).

In the second period from 1995 to 2000 Czech reputation of emerging market economy was destroyed by the currency crisis of 1997 which triggered the recession. According to Dlouhý (2001) "the absence of strong private financial institutions, the lack of adjustments and restructuring in the enterprises (which led to excessive wage growth), the absence of regulation of the capital markets and the long-lasting monopolistic position of some producers" initiated economic crisis (p.190). The reason of currency crisis could be mostly ascribed to the aforementioned fixed exchange rate. The fixed exchange rate regime was replaced with the floating exchange system with ± 7.5 fluctuations which consequently led to the crown depreciation of nearly 20 percent (Dlouhý, 2001, p. 187). The government didn't have any other choice except the introduction of austerity measures. What followed was economic downturn characterized by negative GDP growth in both 1997 and 1998, as well as by decline of both private spending and investments. Inflation,

²³ Vaclav Klaus (February, 2006), *The Economic Transformation of the Czech Republic: Challenges Faced and Lessons Learned*. Retrieved from : <http://www.cato.org/publications/economic-development-bulletin/economic-transformation-czech-republic-challenges-faced-lessons-learned>.

Table 6. *Economic Trends in the Czech Republic and Slovakia, 1995(annual percentage change)*

| <i>Czechoslovakia</i> | <i>1990</i> | <i>1991</i> | <i>1992</i> | | | |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Inflation | 10.0 | 57.9 | 11.8 | | | |
| Unemployment | 1.7 | 6.6 | 5.5 | | | |
| GDP Growth | -0.4 | -16.4 | -7.2 | | | |
| Industrial Growth | -3.7 | -23.1 | -10.0 | | | |
| <i>Czech Republic</i> | <i>1990</i> | <i>1991</i> | <i>1992</i> | <i>1993</i> | <i>1994</i> | <i>1995</i> |
| Inflation | 9.9 | 56.6 | 12.7 | 20.0 | 10.7 | 8.0 |
| Unemployment | 1.1 | 4.4 | 2.6 | 3.5 | 3.5 | 2.9 |
| GDP Growth | -1.9 | -14.5 | -7.1 | -0.5 | 2.5 | 5.2 |
| Industrial Growth | - | -25.0 | -10.6 | -0.2 | 2.8 | 9.2 |
| <i>Slovakia</i> | <i>1990</i> | <i>1991</i> | <i>1992</i> | <i>1993</i> | <i>1994</i> | <i>1995</i> |
| Inflation | 10.3 | 61.2 | 10.0 | 23.2 | 11.7 | 7.2 |
| Unemployment | 2.4 | 11.8 | 10.4 | 14.0 | 14.3 | 13.1 |
| GDP Growth | -2.0 | -15.8 | -7.0 | -4.6 | 4.2 | 6.8 |
| Industrial Growth | -2.7 | -24.9 | -13.7 | -13.5 | 6.4 | 8.4 |

Source: (as cited in Leff Skalinik, 1996, p. 183).

as one of the indicators of macroeconomic stabilization, was more or less under the control during to the crisis due to low domestic demand in the combination with rigid monetary policy and low prices of goods (CERGE-EI, 2003, p. 7). Above all mentioned, a whole economic crisis completely coincided with political turmoils and a collapse of Klaus' government. Despite the serious economic crisis, European Commission (1998) already in 1997 reported that "The Czech Republic can be regarded as a functioning market economy"; it "should be able to cope with competitive pressure and market forces in the Union in the medium term"(p. 12).

Finally, after 2000, the whole economy, in general, started to recover and develop again. The GDP grew by around 3 percent during the four consecutive years, starting from 1999. The main reason for the acceleration of Czech economy could be owned to the inflow of the foreign direct investments (FDI) (CERGE-EI, 2003, p.7). Namely, the Czech Republic was a country that had the highest FDI inflow in Central and Eastern Europe in the period of 1989-2003. However, almost 50 percent of these had been realized from 2000 to 2002. Table 7. gives us an overview of the largest FDI in the Czech Republic. As we can see, the majority of FDI were in the field of manufacturing, financial, gas and telecommunication while the biggest investors were definitely Germany and the Netherlands.

To conclude, the Czech economy until 2004 was without any doubts fully developed market economy with institutionalized market. The recession crisis which lasted from 1997 till 1999 only showed that that the Czech economy was able to resist the market pressure and find the solution which only demonstrated efficiency of the state.

Table 7. *The Largest Investments in the Czech Republic (in mil. of USD)*

| Total Investments | Foreign partner, Country | Activity, time span | Name of the Czech company |
|-------------------|--|---|---|
| 3,900 | RWG, Germany | Gas pipeline and distribution 2002 | Transgas |
| 1,460 | TelSource, Netherlands, Switzerland | Telecommunication 1995 | Český Telecom, a.s. |
| 900 | Volkswagen, Germany | Cars, 1991-1998 | Skoda automobilova, a.s. |
| 1,110 | KBC, Belgium | Banking, 1999 | CSOB |
| 1,030 | Societe Generale | Banking, 2001 | Komerční banka |
| 629 | IOC, The Netherlands USA, Italy | Petroleum refining, 1995-2000 | Ceska rafinerska |
| 500 | Erste Bank, Austria | Banking, 2000 | Ceska sporitelna |
| 499 | Assidoman, Sweden | Electronics engineering, 1991- 1998 | Empack Olomouc, Pakaging Zebrak, AssiDoman, Zatec, a.s. |
| 450 | ABB, Sweden, Switzerland | | 11 companies in total |
| 420 | Phillip Morris USA | Tobacco, 1992 | Tabak, a.s. |
| 400 | National Energy Corp., El Paso Energy, NRG Energy, USA | Energy, 1997-1999 | Energetické centrum Kladno |
| 357 | Daewoo- Steyr, South Korea, Austria | Vehicles, 1995 | Avia, a.s. Praha |

Source: (CERGE-EI, 2003, p. 32)

4. Conclusion

After an in-depth analysis of five arenas of the consolidated democracy, we are able to draw some conclusions and to finally resolve our research puzzle. The main aim of this thesis was to offer a more holistic view on democratization process in the Czech Republic in the period from 1989 until 2004. Throughout the analysis of Linz & Stepan's five arenas of democratic consolidation applied in the Czech case, we came to the conclusion that democracy in the Czech Republic is definitely "only game in the town." Thus, this research only confirmed our working hypothesis that democracy in the Czech Republic until 2004 was already consolidated.

As we previously noted there is a huge gap between electoral and consolidated democracy. The Czech Republic assuredly surpassed electoral democracy criteria of free and fair elections. Democracy in the Czech Republic defined in Linz & Stepan's (1996) terms is consolidated both behaviorally, attitudinally and constitutionally. Behaviorally, democracy is consolidated since there isn't any kind of threat which may endanger democracy in the Czech Republic. Attitudinal consolidation comes from the high level of institutional routinization. Nevertheless, corruption greatly undermines citizens' confidence in democratic institutions and procedures. Constitutionally, the Czech Republic is consolidated since rules and norms are embedded in the constitution and in the majority of cases they are respected by all four other arenas.

In the light of all the facts mentioned in the thesis, we can summarize the most important factors which have contributed to democratic consolidation, relying on both good initial preconditions and successful reforms.

Firstly, the Czech Republic has a good geographical position due to which was exposed to what Levitsky & Way (2006) call "Western leverage" and "Western linkage." Namely, this means that Czech geographical proximity to the European Union countries resulted in government's "vulnerability to external process of democratization" (leverage), and also in many economic, social and diplomatic ties with the West (linkage) (p.382). Or in more simple terms, geography matters and the Czech Republic would sooner or later have succumbed to the process of democratization, pressured by other democratic

neighbors. For instance, positive conditionality given by the European Union was the biggest incentive for the Czech Republic which leveraged and accelerated transitional reforms.

Secondly, the Czech Republic had a democratic legacy which served as a source of legitimacy and inspiration in the process of transition. Namely, Czech democratic legacy rests upon the First Czechoslovak Republic (1918-1938) which greatly influenced the Czech modern constitutionalism. Thus, Huntington's (1996) theory that previous experience with democracy alleviates democratic transition has proven to be completely true in the Czech case. However, democratic culture of citizens which was suppressed for almost fifty years needs some time to be fully restored into the Czech society.

Thirdly, according to Linz & Stepan (1996), ethnical homogeneity only facilitates transition. The Czech Republic was ethnically homogenous so there were no significant minority issues which would destabilize political society. Moreover, Czechs were proud of their First Czechoslovak Republic which served them as a source for defining their statehood.

Finally, despite initial conditions that were a good skeleton for the democratic transition, the fact that actually mattered the most were democratic reforms from 1989 till 2004 which we have already analyzed in this thesis. Extreme neoliberal government from the beginning of the 90s enhanced the pace of reforms which was highly risky and resulted (in combination with other factors) in a complete economic breakdown. However, swift economic reforms bore a fruit when the most painful transitional part was over.

No transition is perfect; and as its name suggests transition is not a permanent state of affairs, but rather temporary. The Czech Republic in the time span of 15 years has changed and immensely improved. Accession to the European Union in 2004 could be considered as a special achievement and a mere confirmation of democratic consolidation. The Czech Republic fulfilled Copenhagen criteria set by the European Union which up to the some extent overlaps with five arenas of the consolidated democracy.

Taking into the considerations all "virtues" and flaws of the Czech transition to democracy, the one can conclude that the example of the Czech Republic can definitely

serve as a role model of successful and quick transition for Balkan and other post-communist countries that are still struggling with transition more than 25 years.

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